



THE INDEPENDENT

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WEATHER: Rain to start, bright later on

(IR45p) 40p



Sun sets on millennium vision



A buried dream: Tony Blair sent Michael Heseltine away empty-handed when he went to plead for the project at the site at Greenwich, above

Photograph: Brian Harris

EU confirms common tax plan

Sarah Helm
Brussels

The European Commission yesterday confirmed that, after monetary union, European member states may move towards a Europe-wide economic policy - which could include a common tax regime across the EU.

Yves Thibault de Silguy, the Economics Commissioner, is drawing up proposals for deeper economic integration among member states who join the single currency, a spokesman said.

Among the areas Mr de Silguy is examining are harmonisation of direct and indirect taxation, as well as the social security systems in member states.

Asked if a future common European income tax could be ruled out, the spokesman said: "No, I am unable to do so." Variation in current tax levels between member states creates unfair competition between tax systems, according to Commission officials.

The initiative was disclosed after *The Independent* revealed that France and Germany want EU treaty changes at

the Amsterdam summit in June to allow for the future creation of a single tax and social security regime. Both Bonn and Paris yesterday denied that they were tabling separate proposals for a joint taxation and social security policies.

However, according to a confidential draft report on "flexible" decision-making, prepared by the secretary-general of the Council of Ministers, Jürgen Trümpp, and shown to *The Independent*, a core alliance of member states are calling for "flexibility" to be applied to economic pol-

icy-making under monetary union. Flexibility is the idea that a group of states can forge ahead of other EU nations, and taxation and social security are specifically mentioned as areas to which that should apply.

The Government was caught completely unprepared by the *Independent* report, to such an extent that the Foreign Secretary, Malcolm Rifkind, was required to brief the Cabinet on it.

One well-placed government source said he knew nothing of it, but it would be vetoed in any event - which is what leading the Tory Euro-sceptic MP John

Redwood demanded in the House during Treasury questions. Financial Secretary Michael Jack told him: "That, I think, is a hypothetical question which you ask, for the very simple and straightforward reason that no such proposal, as you describe, exists."

The Cabinet appeared to be less certain than Mr Jack, and frantic British efforts were ordered to track down the source and strength of what one minister described as the "very unhelpful" plans.

John Redwood, page 17
Leading article, page 5

QUICKLY
Police Bill retreat
The Home Secretary, Michael Howard has backed down over controversial proposals on police surveillance operations under the Police Bill in the face of almost certain defeat in the Lords. Page 2

Evans to leave BBC
Chris Evans, the anarchic and highly paid broadcaster who revitalised Radio One's ratings with his breakfast show, resigned from the BBC. Page 2

Clegg appeal
Lee Clegg, the paratrooper released from prison after serving two years for the murder of a Belfast teenage joyrider, is to have his case heard by the Court of Appeal. Page 5

CONTENTS
The Broadsheet
Business & City 19-21
Comment 15-17
Foreign News 9-14
Gazette 18
Home News 2-8
Leading Articles 15
Letters 15
Shares 23
Sport 25-28
Unit Trusts 24

The Tabloid
Arts 6,7
Arts Reviews 19
Classical 16-18
Feature 8,9
Listings 20,21
Rock/Pop 10-14
TV & Radio 23,24
Weather 22

And now, for a change, good news to prove that people have a heart

James Cusick

Tales of rags to riches, and in one case rags to parliamentary contender, surfaced yesterday as evidence that the Good Samaritan is still alive and well and living in both Cirencester and London's King's Road.

As the political debate over how to treat Britain's haves and have-nots continues, an old fashioned story emerged of how a beauty queen turned matriarchal aristocrat, Lady Apsley, had rescued a homeless man - and his Alsatian dog.

The man, Oliver Lomasney, 25, and the dog, Ryan, were often noticed in by Lady Apsley as the two sat together in the streets of Cirencester wrapped pathetically in ragged blankets.

Lady Apsley, who lives on the nearby £30m family estate, always gave him a pound as she passed, but the gesture never seemed not enough. Curiously, and against the belief of the



Good Samaritan: Lady Apsley, and Oliver Lomasney with Ryan



Photographs: Bruce Seabrook

Home Office minister, David Maclean, Mr Lomasney was not aggressive nor Scottish.

After talking and finding him well mannered, she went into action. Not exactly in line with Baroness Thatcher's wisdom that the Good Samaritan was only effective because he had

some cash, Lady Apsley instead used her influence and contacts at an engineering firm to pull the man to safety.

Lady Apsley, 31, said: "I think the fact that I am titled and live in a big house makes it even more important for me to help someone in his posi-

tion." Mr Lomasney was yesterday working on the Cirencester bypass. "I was very surprised that she even took the time to talk to me let alone help."

Changing the perception that tramps and ladies do mix is the aim of former tramp, Stephen Smith, who yesterday an-

nounced he wanted to sit in the House of Commons. If he wins the Wirral South by-election where he stands as the Justice Party candidate, he says he will offer his services to both Conservative or Labour as their Minister of the Gutter.

Mr Smith, 33, homeless on the streets of London for five years in the 1970s, said his decision was influenced by the current debate over beggars.

Mr Smith's own Lady Apsley was a 24-year-old German tourist. She saw him begging in the King's Road when he was extremely ill. They spoke and eventually married. "Meeting Hannelore [his wife] transformed my life," he said as he attacked Mr Maclean's comment that people chose a life of begging. "How can people be on the streets out of choice? That's a diabolical statement. I think it's time somebody stood up and made a noise about the number of homeless people."

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See page 7

Capitalism threatens freedom, says Soros

David Usborne
New York

When George Soros speaks, the world's markets listen. This time, though, they may not believe what they hear. Mr Soros is proclaiming that capitalism and its system of speculative trading - the same system that has brought him billions - has supplanted Communism as the principal threat to freedom.

It is a stunning conversion from the

man who has long been viewed as the Midas of the currency markets. His extraordinary success was vividly demonstrated in 1992 when bets he made on the pound knocked Britain's currency out of the European exchange rate mechanism.

The new Soros doctrine is laid out in a 7,000-word article in the magazine, *Atlantic Monthly*. Entitled "The Capitalist Threat", it argues that worship of "the magic of the marketplace" is under-

mining social values of morality and responsibility and risks giving rise to extremist political leaders.

"The arch enemy of an open society is no longer the Communist threat but the capitalist one," Mr Soros writes in the article. "It is wrong to make 'survival of the fittest' a leading principle in a civilised society". He argues that inequality is rampant because "laissez-faire ideology has effectively banned income or wealth-redistribution".

Mr Soros goes on: "I have made a fortune on the international financial markets, and yet I now fear that the untrammelled intensification of *laissez-faire* capitalism and the spread of market values into all areas of life is endangering our open and democratic society".

Mr Soros's own fortune is worth about £6bn. But since 1979 he has been channelling part of his wealth to pro-democracy causes through his own Open Society Foundation.

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news

VAT's the story about the price of bananas

Yesterday I received a press release entitled "Conservative Party News". BANANAS FOR BROWN, was the heading, and it purported to be a statement from the Thatcherite intellectual MP, Alan Duncan.

It went on: "Here is a bunch of bananas for Gordon Brown who has made a complete monkey of himself with this disgraceful lie and smear [ie over putative Tory plans to levy VAT on food]. Labour is desperately trying to cover up for the fact that they have £30bn of spending pledges and don't know where the money is coming from". Unfortunately no bananas were attached to the press release. Yet another broken Tory promise?

Labour would say so. All



Labour members are beginning to enjoy having a leader who does not fall in the sea or wear silly hats

their efforts were bent towards making their new "nightmare fifth Tory term" charge stick; all Tory ones to paint a picture of current plenitude and past disaster. In the heat and smoke of this mock battle, concepts such as information, accountability, argument and resolution stand little chance.

The day had started in the gutter", argued Treasury minister, Michael Jack. But the game was given away by his colleague, Philip Oppenheim, answering yet another query about VAT. Labour's campaign was "so silly, so catty, it makes demon eyes look positively cerebral, quite spiritual, in comparison". Oh yes.

It was left to yet another Treasury frontbencher,

Angela Knight, to do most of the Tory cheerleading. Ms Knight resembles nothing so much as the principal boy in a village pantomime, with a lean and muscular frame, a haircut of a 70s male rockstar and a ruthless way of dealing with the poetry of her brief. Her flat tones rolled out the stats and the claims with machine-gun relentlessness, as her hand adjusted the ride of her skirt along her boyish thighs.

Tourism was booming. "Blackpool", she averred, "has more tourists than Portugal and more hotel beds than Greece". I was just wondering how it was that Greece did not close down every time it hosted a party conference, when William Waldegrave helpfully blamed

high taxation levels on a previous government. "We have the lowest personal taxation since 1915. Then the Liberals came into the war cabinet and started to finance the war by borrowing," he charged. The Tories presumably would have funded it through VAT on clogs.

This nonsense was still raging when the Prime Minister entered the Chamber to cheerful cries of "where's the 'at'?" from Labour members who are beginning to enjoy having a leader who does not fall into the sea or wear silly hats. Question one, from Labour's William O'Brien, was about VAT. Had not the Prime Minister promised not to put VAT on fuel - and then put VAT on fuel? Mr Major

blustered. Tony Blair asked the same question three times. Thrice Mr Major stonewalled, but this will avail him nothing since, earlier, Labour's Alastair Darling triumphantly claimed to have incriminating film of the Prime Minister and the Chancellor together discussing VAT on food.

The Prime Minister referred two other VAT inquiries to the answer he hadn't given several times, but by now the assaults were like firing siege catapults at flattened walls. Thus it is that, 18 years after "Labour isn't working", the Conservatives are finally reaping what they then sowed. I went off to commission a poster featuring Mr Duncan, under the slogan "Yes, we have no bananas".

BBC parts company with loosest cannon as Chris Evans leaves Radio 1 show

David Lister
Arts News Editor

The BBC and its most unpredictable presenter decided to part company yesterday. Chris Evans, the millionaire, anarchic broadcaster who helped revitalise the fortunes of Radio 1 in his two years with the station, has handed in his notice.

Evans had told Radio 1 controller, Matthew Bannister, he wanted every Friday off, an unprecedented demand by a presenter of the all important breakfast show. Mr Bannister told Evans that it did not fit in with his plans for the station's schedule, and Evans will leave at the end of March.

Evans, a former presenter of Channel 4's *The Big Breakfast*, hosts and is the driving force behind a current Channel 4 cult hit *ITV Friday*, which explains his need to devote Fridays to tele-

vision work. He also runs his own production company.

But behind the end of Evans's relationship with Radio 1 lies more than a simple demand for time off. As with the case of Kenny Everett a quarter of a century ago, Radio 1 hired an inventive and anarchic broadcaster to help boost its ratings with young listeners, and then found to its chagrin that it too became a target of the on-air irreverence and satire.

When Evans joined Radio 1, it was in the doldrums. It paid his company Ginger Productions £1.4m to produce the breakfast show. He drew an extra 600,000 listeners, attracting a total of over 7 million but the techniques he employed made his bosses increasingly nervous.

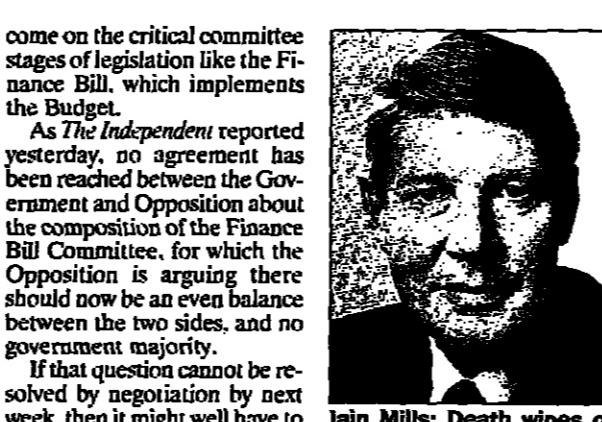
He once missed a show because of a hangover (and was fined £7,000, a day's pay); he constantly bragged about his salary on air; he negotiated a doubling of holiday entitlement to 12 weeks and a later start for the show; he threatened to hire lottery presenter Antenna Turner; made crude jokes and brand-

ed many of his listeners "thick." More than 30 complaints about Evans were upheld by broadcasting watchdogs during his time on the breakfast show. When Mr Bannister ticked him off, Evans responded on air: "We were talking to the boss, the Fat Controller," he said. "How ungrateful is this guy? Before we joined he was slipping down the banis-

ter — he was out on his ear." Mr Bannister said last night: "Chris is an enormously talented broadcaster who has made a tremendous contribution to the network."

As *The Independent* reported yesterday, no agreement has been reached between the Government and Opposition about the composition of the Finance Bill Committee, for which the Opposition is arguing there should now be an even balance between the two sides, and no government majority. If that question cannot be resolved by negotiation by next week, then it might well have to be resolved by a vote of the whole House — and Mr Mills's death could mean defeat for the Government.

An even balance on legislative committees means that the Government could not carry its own amendments because, in the event of a tie, the chair by convention casts its vote for the



Iain Mills: Death wipes out Government's majority

status quo. Meanwhile, Number 10 appeared determined to soldier on, and the record of the last Labour government showed there is no reason why that should not continue.

The 1974-79 Labour regime

defeated 42 Commons defeats

before it was ousted in March 1979.

Although there were few details available on the death of Mr Mills, whose body was discovered yesterday at his London flat, government whips had been concerned that he was one of four MPs missing from Tuesday's vote on the second reading of the Finance Bill. One government source said he had been missing without permission, even though he had often been off sick before. He was described by one source as "a heart attack waiting to happen".

The 56-year-old MP, a former parliamentary aide to Norman Tebbit, had a 14,699 vote majority in Meriden at the 1992 general election, and had represented the constituency since 1979. A by-election will be overtaken by the general election, even if that does not take place until 1 May.

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MP's death ends Tory majority

Anthony Bevins
Political Editor

The Government's Commons majority was wiped out yesterday with the death of the Conservative MP for Meriden, Iain Mills.

Having already lost its technical majority through the disaffection of backbencher Sir John Gorst — who is continuing his non-cooperation protest against the closure of the accident and emergency department of a local hospital — the

Government's strength in the House was reduced to 322 votes by Mr Mills' death, against 323 for the combined opposition parties.

While the formal move into minority will have no immediate impact, it adds to government difficulties and will further sap Conservative morale at Westminster. Tory MPs are already facing the prospect of a Labour war of attrition in the Commons, through the withdrawal of cooperative "pairing" arrangements, which means

that they have to remain on constant stand-by for opposition ambushes.

The Government's frustration was illustrated by a series of votes on the Crime (Sentences) Bill on Wednesday night, when a handful of Liberal Democrats forced more than 200 Conservative MPs to remain in the Commons — even though Labour Chief Whip Donald Dewar had told his MPs that they would not be required to stay.

But the real problems could

come on the critical committee stages of legislation like the Finance Bill, which implements the Budget.

As The Independent reported yesterday, no agreement has been reached between the Government and Opposition about the composition of the Finance Bill Committee, for which the Opposition is arguing there should now be an even balance between the two sides, and no government majority.

If that question cannot be resolved by negotiation by next week, then it might well have to be resolved by a vote of the whole House — and Mr Mills's death could mean defeat for the Government.

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British come bottom in the numbers game

Fran Abrams
Political Correspondent

Britain came bottom in an international numeracy study of adults in seven industrialised countries, heightening concern over flagging basic skills.

The Government-backed survey, published yesterday, found Britons struggled to perform tasks such as multiplying 6 by 21 and subtracting 1.73 from 5. Only one in five British adults managed to answer all 12 questions correctly, compared with nearly half those tested in Japan, which topped the table. The UK also lagged behind France, Holland, Denmark, Sweden, and Australia.

The study, commissioned by the Basic Skills Agency, also revealed Britons were far more likely than adults in other countries to flee at the very thought of a maths test.

Out of a representative sample asked to complete the pen and paper tasks in each country, one in eight in the UK refused even to look at the tests. Elsewhere, virtually all those tested to take part did so.

Evidently the British are poor at maths comes a week after another international study showed the nation

is also falling behind badly on literacy standards. Research in 14 countries by the Organisation for Economic Cooperation and Development revealed nearly half of adults in the UK lack the literacy skills needed to cope with life, such as understanding a bus timetable. Both main political parties are vying to put higher basic skills standards at the centre of their election campaigns. Gillian Shephard, the Secretary of State for Education and Employment, will announce initiatives to boost literacy and numeracy levels among recent school leavers later this month, while Labour will unveil details of plans to improve primary pupils' reading skills.

The Basic Skills Agency numeracy study was accompanied by research showing how poor maths skills can damage employment prospects.

Academics at London's City University who have been monitoring the lives of 1,700 people born in 1958, found just under a quarter had "very low numeracy skills", making everyday tasks difficult. Men with poor numeracy were more prone to unemployment, while women were more likely to be in part-time jobs.

Applications even where there have been no complaints.

Changes which had been forced to retreat over controversial proposals on police surveillance operations. Home Office ministers began making changes last night to the Police Bill, hoping to avert an almost certain defeat in the House of Lords on Monday.

The move came after Labour, which had originally backed Michael Howard's plans to allow extensive surveillance without a warrant, changed its stance in the face of fierce protests from the legal profession. If the Home Secretary had not backed down his team would have been exposed to a hostile alliance of opposition peers and law lords.

Last night an amicable resolution again looked more likely, even though the moves did not appear to be enough to satisfy the Bar Council, one of the leading critics of the Government's plans.

Amendments due to be tabled today will ensure that the security commissioner who oversees the surveillance operations is notified of them by the police as soon as is practically possible. The *Independent* understands. They will also allow the commissioner to quash ap-

peals, journalists and doctors to be protected from surveillance unless there is evidence that they are involved in criminal activity, while the Government is content simply that the commissioner should see any plan within 48 hours.

Labour also wants a tighter definition of the "serious crime" which can trigger a covert police operation under the Bill.

Last night Labour's home affairs spokesman, Jack Straw, said he was not ready to comment on the Government's proposals until he had seen them. Although civil liberties should be protected, crime must be tackled effectively, he said.

"This kind of surveillance is necessary if the public are to be protected from ruthless criminals. Our amendments, if accepted, will ensure that the police have the powers which they need," he said.

However, the chairman of the Bar Council, Robert Owen QC, said he did not believe the Government's changes went far enough. He predicted that the issues would still be hotly debated in the House of Lords debate.

"This does not seem to meet the fundamental points about prior authorisation and the full protection of legal professional privilege," he said.

significant shorts

Missing girl linked to bloody clothing

Launch a private royal yacht, says peer

Plans to replace the royal yacht *Britannia* with a private vessel funded by banks are being drawn up by campaigners against the decommissioning of the boat.

As the *Britannia* prepared for its final voyage last night, Lord Ashbourne, chairman of the all-party royal yacht group, said the group was still hoping the Government would decide to pay the £80m cost of replacing her.

However, Lord Ashbourne said he was beginning to feel that the only way forward might be to try for a "privatised" royal yacht. It could be built and then leased back to the state for 20 years. The running costs for the new boat could be £5m per year, compared with £10m for the *Britannia*. *Fran Abrams*

Twist in Jewish feud

The bitter feuding between Orthodox and reform Jews has taken a bizarre twist after the Chief Rabbi, Dr Jonathan Sacks, refused to pull out of a tribute to the late Rabbi Hugo Gryn.

Dr Sacks, who is chosen by the Orthodox to defuse the row by saying he would only be taking part in next month's meeting because of Rabbi Gryn's important inter-faith work. But furious Orthodox leaders say Dr Sacks is giving credence to the position of Rabbi Gryn, a reformist who was one of the most respected Jewish leaders in the country. *Andrew Brown*

Booth in court teacher clash

Government lawyers are set to clash in the High Court with Cherie Booth QC, wife of Labour leader Tony Blair, after a teaching union's successful bid to challenge a clampdown on teachers' early retirement.

The Association of Teachers and Lecturers, represented by Ms Booth, yesterday won permission from a High Court judge for a hearing over their claim that government guidance aimed at blocking a stampede of departing teachers is unlawful. *Lucy Ward*

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Abrams

Belfast works its waterfront

A futuristic £23m arena, concert hall and conference centre opens in Belfast as part of an effort to regenerate the Victorian city. The launch of the new building, known as the Waterfront Hall, will be met over the next few weeks by appearances of local stars such as Kenneth Branagh, Van Morrison, Barry Douglas, James Galway and Sinéad O'Connor, and international guests. *Dawn McMinnick*

Ayckbourn faces fresh theatre cuts

The Scarborough theatre, by Sir Alan Ayckbourn, is being threatened with a cut again from local politicians just weeks after the "love or leave" row.

Sir Alan won the battle to stop Scarborough council cutting its funding by £60,000 of the Stephen Joseph Theatre-In-The-Round.

But now an even bigger threat is faced by North Yorkshire County Council, a debate terminating in a £75,000 grant to the theatre about one sixth of the Stephen Joseph's regular public funding.

THE INDEPENDENT ABROAD

GERMANY: Incription on a plaque at the site of the former concentration camp at Dachau, near Munich, reads: "Dachau 1933-45. Here the Nazis established their first concentration camp".

ITALY: A plaque on a wall in Rome's Villa Borghese park marks the site of the former Nazi concentration camp at Fossoli.

FRANCE: A plaque on a wall in Paris' Place de la Bastille marks the site of the former Nazi concentration camp at Drancy.

SPAIN: A plaque on a wall in Madrid's Plaza de Cibeles marks the site of the former Nazi concentration camp at Guernica.

PORTUGAL: A plaque on a wall in Lisbon's Praça da Liberdade marks the site of the former Nazi concentration camp at Estoril.

IRELAND: A plaque on a wall in Dublin's St Stephen's Green marks the site of the former Nazi concentration camp at Arbour Hill.

NORWAY: A plaque on a wall in Oslo's Torgallmenningen marks the site of the former Nazi concentration camp at Falstad.

SWITZERLAND: A plaque on a wall in Bern's Bahnhofstrasse marks the site of the former Nazi concentration camp at Thun.

SWEDEN: A plaque on a wall in Stockholm's Kungsträdgården marks the site of the former Nazi concentration camp at Malmö.

DENMARK: A plaque on a wall in Copenhagen's Amagertorv marks the site of the former Nazi concentration camp at Falsterbo.

NETHERLANDS: A plaque on a wall in Amsterdam's Dam square marks the site of the former Nazi concentration camp at Westerbork.

BELGIUM: A plaque on a wall in Brussels' Place des Martyrs marks the site of the former Nazi concentration camp at Malmedy.

POLAND: A plaque on a wall in Warsaw's Piłsudski Square marks the site of the former Nazi concentration camp at Treblinka.

CZECHOSLOVAKIA: A plaque on a wall in Prague's Wenceslas Square marks the site of the former Nazi concentration camp at Terezin.

HUNGARY: A plaque on a wall in Budapest's Andrássy Avenue marks the site of the former Nazi concentration camp at Auschwitz.

ROMANIA: A plaque on a wall in Bucharest's Revolution Square marks the site of the former Nazi concentration camp at Sighetu Marmației.

YUGOSLAVIA: A plaque on a wall in Belgrade's Kalemegdan Park marks the site of the former Nazi concentration camp at Jasenovac.

BOSNIA AND HERZEGOVINA: A plaque on a wall in Sarajevo's Old Bazaar marks the site of the former Nazi concentration camp at Srebrenica.

MONTENEGRO: A plaque on a wall in Podgorica's Old Town marks the site of the former Nazi concentration camp at Kotor.

SERBIA: A plaque on a wall in Belgrade's Old Town marks the site of the former Nazi concentration camp at Zemun.

MOLDOVA: A plaque on a wall in Chisinau's Old Town marks the site of the former Nazi concentration camp at Orhei.

ESTONIA: A plaque on a wall in Tallinn's Old Town marks the site of the former Nazi concentration camp at Patarei.

LATVIA: A plaque on a wall in Riga's Old Town marks the site of the former Nazi concentration camp at Salaspils.

LITHUANIA: A plaque on a wall in Vilnius' Old Town marks the site of the former Nazi concentration camp at Stutthof.

POLAND: A plaque on a wall in Warsaw's Old Town marks the site of the former Nazi concentration camp at Majdanek.

LUXEMBOURG: A plaque on a wall in Luxembourg City marks the site of the former Nazi concentration camp at Dachau.

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Sons and father 'murdered' mother

Two teenage boys bludgeoned their mother to death after carefully planning her murder with their father, a court was told yesterday.

Glenn Howells, 17, and his brother John, 15, smashed their mother Eve's skull repeatedly with a hammer in the living room of their home in Huddersfield, it was alleged at Leeds Crown Court. Glenn, who was 15 at the time of his mother's death in August 1995, and John, who was 14, deny murder. Glenn admits manslaughter on the grounds of provocation. Their father David, 48, denies murder.

Franz Muller QC, for the prosecution, told the court that a bureau had been overturned and the contents strewn across the floor, leading police to believe initially that Mrs Howells, 48, had disturbed burglars. But they soon began to suspect the boys and their father. "Far from

A neighbour described them as the family from hell

But if Phyllis Dixey's daring and Brian Rix's cheek plays that involved falling trousers and double acts in the 1970s saw the Whidbys go a stage further. The impresario Paul Raynor took over and presented a West End's first nude production, *Pyramus*, starring Fiona Richardson.

The theatre's ownership passed to the Mayhew Group and later Chesterfield Properties, and it recently staged *Pyramus*, maintaining the theatre's capacity both to shock and to entertain with the times.

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news

PRIME MINISTER'S QUESTIONS

Tony Blair 4/10

The task Blair set himself was quite a simple one, uncharacteristically and a little smugly carried out: test to put Major on the spot over VAT, then ask his increasingly familiar third question, on whether we could have an election soon.

Major's manner is not magisterial enough to sweep aside direct and precise questions from the opposition: in the way that his predecessor could, and given that, he was bound to be put on the spot by yesterday's questions.

BLAIR'S ATTACK

Blair asked Major to confirm whether or not the Government had broken VAT pledges made before the last election – ‘yes or no?’ All Major could do was say that Blair was ‘mistaken in the implications he is trying to draw’.

THEMES OF THE DAY

- VAT on food (The Labour Party)
- Joining the single currency (Paddy Ashdown)
- Police (Gambling) Bill (Richard Tracey, C, Surbiton)
- Proposed merger between BA and American Airlines (John Wilkinson, C, Ruislip, Northwood)
- 1,500 redundancies at Ford (Jane Kennedy, Lab, Liverpool Broadgreen)

GOOD DAY...



Geoffrey Clifton-Brown

(C, Cirencester and Tewkesbury) A five-question tirade against Labour's tax policy had MPs shielding their ears. As Major observed, he “made his point extremely clearly”.

THE UNANSWERED QUESTION

Six of Labour's seven questions were essentially the same – whether Major promised not to raise VAT before the last election, and then did so. He did of course, and of course would not own up.

THE QUIP OF THE DAY

Following Nigel Evans's (C, Ribble Valley) attack on Labour spending, Major took over the baton, demanding that Labour cost their commitments. As he paused for breath, David Shaw (C, Dover) piped up, “It'll all end in tears”, quoting the poster campaign launched at the start of the year.

THE CREEP OF THE DAY

Tracey cracked the Government's whip on law and order, claiming that “only the party of government is in favour of measures against criminals in this country”. This enabled Major to take a dig at “the would-be coalition partners”, triumphing with his soundbite “by their votes they should be judged”.

Compiled by Sam Coates

News of the world of Sir James

James Cusick

He has his own political party, paid for his own party conference and yesterday the billionaire founder of the Referendum Party, Sir James Goldsmith launched and paid for his very own national newspaper.

For around £2m, the eight-page *News from the Referendum Party* is being sent to every home in the United Kingdom. In effect a printed version of the speeches made at Sir James's conference in Brighton last year, it calls for a defence of British sovereignty and a vote on the country's future in Europe.

Sir James appeared delighted to be back in British news publishing after his early 1980s flop with the news magazine *Now!*, which lasted for only a few issues.

Flying in to Heathrow from his home in Mexico, Sir James's entourage drove to Leyton in east London to push the button on the print run of 24 million. “If I press this will something explode?” he asked. It was his only joke as he went on the attack. “Today we find out [in *The Independent*] about European plans to harmonise tax. Brussels wanting to increase our tax is also reported in our paper.” Sir James, a member of the

European Parliament, added the street-sellers' shout of “read all about it”.

His newsletter accuses Sir Edward Heath and the Conservative government which took Britain into Europe of lying about the “erosion of essential national sovereignty”. It claims we are being “led blind-

fold into a federal superstate”.

The Referendum Party's leading figures, including the actor Edward Fox, Viscount Tonypandy, the former Commons speaker, and Baroness Thatcher's economics guru, Professor Sir Alan Walters, are paraded as would-be reporters.

Commenting on the report in

The Independent that France and Germany plan a pan-European tax system to operate alongside the single European currency, Sir James said: “We have been forecasting it for a long time – it's now coming out in the open.” He mocked Stephen Dorrell, Secretary of State for Health, for his con-

version to a Euro-sceptic stance. “They are a joke, the politicians,” Sir James said.

With £20m of his fortune earmarked for the campaign to contest every parliamentary seat except those where the main party candidate is pledged to a referendum, he is scheduled to tour the country in his per-

sonal jet next month. The party also plans cinema advertisements to reach 7.5 million people, on the theme of the British bulldog biting back.

The task may be difficult. A tea lady at the Leyton print works said: “No, I've no idea who he is. One of us thought his son was a famous cricketer.”

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Commenting on the report in

Major rounds on Blair over food tax claim

Colin Brown
Chief Political Correspondent

Tony Blair and John Major clashed in the Commons yesterday over Labour claims that the Tories would impose VAT on food after the election.

The claims raised the temperature of pre-election campaigning and led to Tory charges that Mr Blair was indulging in “lies” and negative campaigning.

“What you are seeking to do is smear our plans for the next Parliament. It simply won't wash,” Mr Major told the Labour leader.

Kenneth Clarke said on BBC radio that the idea of imposing VAT on food “never crossed my mind”. He added: “I don't expect to live to see the day when any government puts VAT on food in this country.”

Labour's claim was described as a “lie” and a “pathetic stunt” by Dr Brian Mawhinney, Chairman of the Conservative Party.

But neither the Prime Minister nor the Chancellor gave a commitment not to charge VAT on food or other zero-rated goods. Mr Clarke wrote to Alan

Milburn, a Labour Treasury spokesman, last month saying: “I have never made a promise not to extend the scope of VAT ...”

Ministers hoped Labour's attack would bounce harmlessly off the Government. But Labour's target was the issue of trust in the Government and Labour strategists believe the VAT attack could prove deadly.

Mr Clarke denied any lapse of memory about VAT. “The [1992] manifesto did not say we weren't going to extend it and I have never said we weren't going to extend it,” he said.

In fact, Mr Major said he had no need to increase or widen VAT in his 1993 Budget. But his commitment to widening the VAT base remained.

The Government admitted last night that there is a £400m hole – enough to build a new hospital – in the public finances because of errors in November's Budget.

Mistakes were made in estimates for the amounts expected to be raised by increases in air passenger duty and insurance premium tax.

“I've made the pledge in the past. I have made it clear. We have no plans and no need to extend the scope of VAT,” Mr Major added on 27 March 1992.

But the assurance was not enough. VAT was imposed on domestic fuel, starting at eight per cent and rising to 17.5 per cent (later stopped), in the Budget in March 1993.

Kenneth Clarke has since reaffirmed his belief that the VAT base is too narrow. On 19 July 1994 he said in *The Independent*: “We exempt far too many goods and services from VAT in this country.”

The Tories claim Labour is now lying. No one knows what will happen. But the Tories must rue the fact that Mr Clarke has been unusually candid.

Peers push gun Bill changes

Colin Brown
Chief Political Correspondent

Labour was last night ready to help the Government avoid defeat by Tory backbenchers in the House of Lords over the Bill to ban handguns above .22 calibre in the wake of the Dunblane massacre.

Pro-gun Tory peers were pressing for changes to the Firearms (Amendment) Bill to allow guns to be kept at home with parts of the mechanism removed, and kept in gun clubs.

The gun-lobby sought the compromise, considered in the review of the law by Lord

Cullen, to avoid the imposition of total ban on handguns. But it was rejected by Labour and the Government.

Lord Swanson, a Tory peer who lists fishing and rifle shooting among his recreations, called for the Bill to be referred to a Lords Select Committee, a move not followed since 19 May 1938, with the Coal Bill.

Lord Swanson insisted at a Westminster news conference that he was not attempting to wreck the Bill. “It is simply to get the thing discussed in detail, with expert witnesses who could be cross-examined,” he said.

Lord Pearson, who is back-

Expanding

Secu
ease
pain

Tom Parker
Paul Rutter



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Answers



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Nation is reborn, says Serbia's protest leader

Steve Crawshaw
Belgrade

"I was amazed. It's like a new birth. The child is born in poverty, the parents are old and unwell. Everything seems to be against a healthy birth. And then, suddenly, the baby is so beautiful. Everybody is amazed. That's how it is in Serbia today."

Zoran Djindjic, one of the leaders of Serbia's Zajedno ("Together") alliance, makes no secret of the extent to which Serbia's quiet revolution has taken him by surprise.

He told *The Independent*: "I expected us to lose the elections. Really to lose. Then I planned that we would go to the trade unions and organise strikes in the spring and summer of 1997, as the economic crisis deepened."

In reality, Zajedno stormed to victory in municipal elections in November in Belgrade and many other Serbian cities, a result which an electoral commission finally recognised this week but which Mr Milosevic's ruling party may still attempt to overrule. Since the elections,

street demonstrations of up to half a million people in Belgrade have demanded that the authorities retreat.

Mr Djindjic is at the heart of the storm. Of the three leaders of Zajedno, Mr Djindjic, leader of the Democratic Party, is seen by many as the most likely next president.

Interviewed in his office yesterday – a few crammed and bustling rooms on the fifth floor of an apartment block in central Belgrade – the dapper Mr Djindjic made it clear he does not believe Mr Milosevic has

given up. Equally, he insisted that the President is doomed: "His power is in the last stages of decay. It's rotten to the core. Without these demonstrations, it would have taken much longer to show this."

Despite a ruling by the electoral commission in Belgrade this week, acknowledging the opposition victory in the city in November, Mr Djindjic expects a challenge from the ruling party. He predicted that Mr Milosevic, a past master at divide-and-rule tactics, would then allow an "interim govern-

ment" for the city, leaving the whole result in limbo.

Like many in the opposition, Mr Djindjic seems to be resigned himself to waiting until elections later this year for Mr Milosevic's departure. "The general condition must be free elections and free media. If that is not met we will boycott the elections. There will be a social rebellion." He argued that even if the opposition wins the next elections, "That is not yet victory. Victory comes later. Winning the elections merely gives us the entry ticket".

Meanwhile, he insists that important victories have already been won. "We have changed Serbia's image in the world. We have removed the aura surrounding Milosevic, at home and abroad. At home, we have shown that he is weak. Abroad, we have shown that he is a risk factor, not a stability factor, just as he has been since 1990 [in the lead-up to the Yugoslav wars] ... He was ready to start a war, not for Serbia, but to keep himself in power."

Despite his proclaimed disapproval of nationalism, Mr

Djindjic is reluctant to distance himself from the Bosnian Serb leadership. In 1994 he famously showed solidarity with Radovan Karadzic in the Bosnian Serb capital, Pale. He still sees nothing wrong with this: "I don't regret showing solidarity – we had a national crisis."

Is that not akin to suggesting that it was every good German's duty to show solidarity with Hitler when the world was against him? "A better comparison: a Jew in America shows solidarity with Israel, even if it has dubious policies."

He studied in Germany with the leading social philosopher, Jürgen Habermas. He influenced me very much. I understand that if a society wants to progress, it must communicate its own problems. I saw that authoritarian societies are a blockade on their own society."

In Kosovo, Serbia's southern Albanian-majority province, the Serb rector of the University of Pristina was injured in a car-bomb explosion yesterday. The attack seemed likely to heighten ethnic tensions in the already unstable province.

Don't mention the stereotypes

Imre Karacs
Bonn

How simple the world must have seemed back in 1993, when the leaders of Germany and Britain embraced each other, and commissioned a book that would lay the ghosts of the past to rest. Never again would national stereotypes get in the way of reconciliation, they vowed.

Three years on, after crises over beef, football and suspect pan-European ambitions, the two countries' tax-payers were finally rewarded yesterday. You can get your copy of Thomas Kellinger's *Crossroads and Roundabouts* from the German embassy, or wait until the joint publishers, the Foreign Office and the German government's press office, find a distributor.

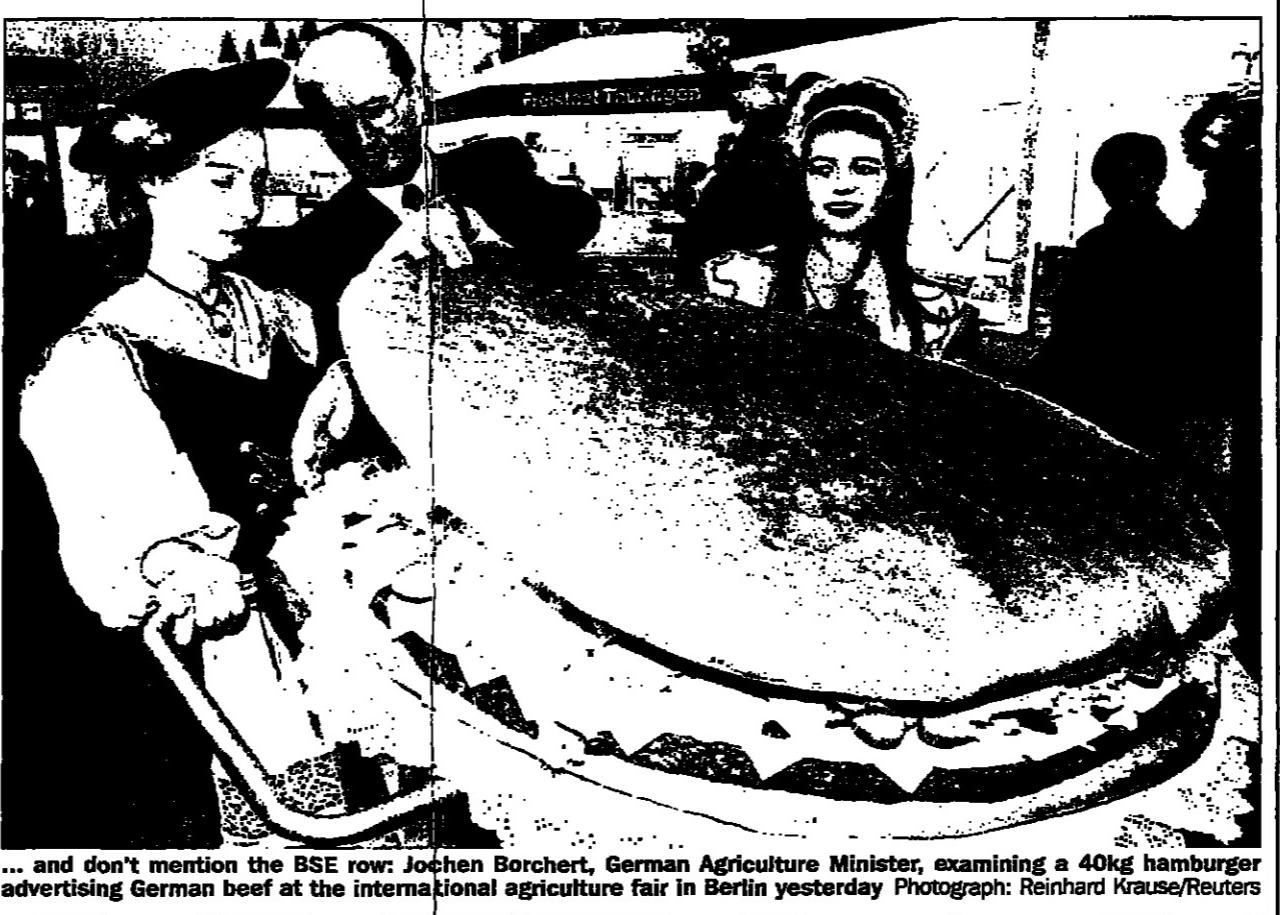
Alas, as the title itself betrays, the chequered history of Anglo-German relations cannot be told without resorting to stereotypes. The disciplined Germans,

it seems, love the rigid rule that traffic lights impose on a road intersection. The anarchic British, on the other hand, prefer the free-for-all of Hanger Lane.

So much can be deduced from this, and so much is. The uninformed reader learns that great men centuries ago had remarked on German propensity for obedience, in contrast with British free spirit.

Mr Kellinger tries hard to find common veins in the two nations' genetic make-up and cultural traditions. Victoria and Albert were Germans, we are informed; Marx and Engels had spent many years of their lives in Britain, and the Beatles matured into a successful pop group in Hamburg's club-land.

So what? – the reader may ask. The author concedes that "the British have a problem with Europe, and part of this problem is Germany". In this context, where the Beatles spent the winter of '60-61 is largely irrelevant.



... and don't mention the BSE row: Jochen Borchert, German Agriculture Minister, examining a 40kg hamburger advertising German beef at the international agriculture fair in Berlin yesterday. Photograph: Reinhard Krause/Reuters

Italy goes in search of new political order

Andrew Gumbel
Rome

What on earth is a *bicameral*? Most Italians wouldn't be able to tell you beyond the fact that it has been the subject of fierce political debate and has something to do with the constitution.

In fact, the *bicameral* – a special commission of both houses

of parliament charged with changing the way Italy is governed – may well be the most significant political creation for 50 years.

It has been clear for a long time that Italy is ungovernable under present arrangements and that something has to be done to stabilise and simplify the system. But up until now the

various factions, parties, shifting alliances and 55 post-war governments have been unable to agree on how to do it.

The breakthrough is largely due to Massimo D'Alema, leader of the left-wing PDS party and chief tactical brain behind Romano Prodi's centre-left coalition government. His coup has been to woo the leader of

the opposition, the media magnate and former prime minister Silvio Berlusconi, with an irresistible offer: the chance to put all his judicial and business problems on hold and resuscitate his flagging political career.

In exchange for making up the two-thirds majority necessary to bring the *bicameral* into existence, Mr Berlusconi will

not now have to worry about having one or more of his television channels taken away by the Constitutional Court. Nor are his various trials for political corruption and business malpractice likely to have repercussions in parliament, as they could so easily have done.

Yesterday, the *bicameral* was approved by the Senate and the Chamber of Deputies.

next week it should breeze through the lower house. It will have five months to make its recommendations. Proposals are likely to include a strengthening of the power of the Prime Minister, a rethink of the electoral system, and a redefinition of the work of parliament to avoid duplication by the Senate and the Chamber of Deputies.

Like all foreigners, the nurse, Gloria Tak Ching Yu, is barred from entering the ceremonial site outside the capital Freetown, but she said aid workers had been sending local health workers into the area with medicine and directions on how to treat the wounded. AP – Freetown

CAR gunfight

French troops fought a gunbattle with mutinous local soldiers in Central African Republic, killing one rebel and capturing another. The French army said there were no French casualties. Reuters – Bangui

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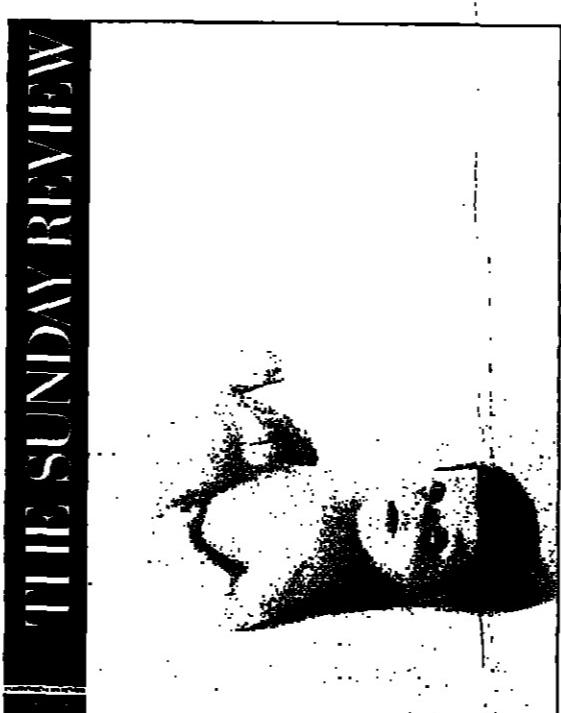
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14 international

Star of David flies over Hebron no more

Patrick Cockburn
Jerusalem

Israeli soldiers were yesterday taking down the blue-and-white Star of David flag on the roof of the military headquarters from which they have ruled Hebron for 30 years. The order for the final withdrawal of Israeli troops from the city, the capital of the southern West Bank, was expected as soon as the Israeli Knesset voted its approval.

For the Israeli right it is a day of mourning. With the approval of the chief rabbi of Kiryat Arba, the Jewish settlement which overlooks Hebron, the settlers in the centre of the city will ceremonially rend their clothes – usually only small slits are made – to mark their grief at the partial Israeli withdrawal.

In Jerusalem the cabinet approved the protocol on Hebron by a margin of 11 to 7 after a rancorous 12-hour debate in

which Binyamin Begin, son of Menachim Begin, the former prime minister, resigned in protest, accusing Benjamin Netanyahu, the Prime Minister, of ceding "the Jewish homeland".

Outside the Prime Minister's office a demonstrator held up a placard reading "You promised. You believed. You betrayed." But about 67 per cent of Israelis said they were satisfied with the Hebron agreement signed on Wednesday, according to the daily *Yediot Acharonot*. Only 25 per cent were dissatisfied.

There is jubilation among the previous Labour government's supporters, defeated by Mr Netanyahu in last May's election, who see their policies justified. Shimon Peres, the former prime minister, said: "I truly congratulate the government on the signing of the protocol based on the Oslo agreement." Uri Savir, the former leader of Israel's ne-

gotiating team, says: "On most issues there are improvements for the Palestinians."

This optimism may be misplaced. Mr Netanyahu has gone along with continuing to implement the Oslo accords largely because of intense international pressure from Egypt and Jordan in the Arab world, the West Europeans and, above all, the US. If the partial withdrawal from Hebron allows him to break out of diplomatic isolation he may repair his relations with the settlers, the shock troops of the right, by expanding settlements.

The US has played a much greater role in the recent talks than during negotiations on Oslo under Labour. Meiron Benvenisti, an expert on the West Bank, says: "The agreement is not an Israeli-Palestinian agreement, rather an Israeli-American and a Palestinian-American agreement."



Heading home: A Palestinian watches Israeli troops leaving a military post in Hebron

Photograph: AP

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New questions over sacking of HK official

Stephen Vines
Hong Kong

New revelations continue to flow in the scandal surrounding the forced resignation of Lawrence Leung, the former head of Hong Kong's immigration department. They come as a furious Chris Patten, the Governor, returned to the colony from London yesterday attacking media coverage of the débâcle as a "lot of self-indulgent nonsense".

Speaking at the airport, he rounded on critics who believe that Mr Leung was treated harshly for breaking rules related to his business affairs. "If you have discovered that the Director of Immigration couldn't pass an integrity check but the government had swept it under the carpet and let him stay in office, you would have pilloried the government and rightly," he told reporters.

On Wednesday the government finally admitted that Mr Leung had been forced out, having agreed with him to tell the public that he was stepping down for personal reasons. However legislators believe that the government has still not come clean about the reasons for Mr Leung's departure and will summon the Chief Secretary, Anson Chan, for further questioning next week.

The legislator's disquiet is fuelled by a steady trickle of new allegations about Mr Leung and a growing number of unanswered questions.

A senior official in Ottawa told *The Independent* yesterday that special arrangements were made for Mr Leung to secure Canadian citizenship which circumvented normal immigration rules. Mr Leung has consistently stressed his good relations with officials from the incoming Chinese regime and it is unclear why he wanted a Canadian passport. However in 1989, the year he

became director, his wife and children emigrated to Canada where they bought a luxurious flat in Vancouver. In 1993 his daughter Sylvia was murdered with a crossbow. Police are investigating a link with Chinese triad gangs. The Leung family and Sylvia Leung's boyfriend were the victims of at least five arson attacks before the murder.

All family members are now back in Hong Kong where they have become embroiled in the financial controversy which the government has cited as the reason for Mr Leung's forced resignation. Both Mr Leung's son Hugo and his wife, Kitty, are directors of companies alongside Mr Leung. He failed to declare his interest in them when asked to do so by his superiors.

One of the companies, the New China Hong Kong Advertising Company, is linked to the New China Hong Kong Group, an investment company founded by Tsui Tsin-tong with the backing of the Chinese authorities. Mr Tsui, a benefactor of the British Museum, is known to have been an arms trader.

It appears that while head of the immigration department, responsible for sensitive dealings with Chinese officials, Mr Leung was trying to establish a business in China with one of the Hong Kong businesses closest to China's government.

Another of Mr Leung's undisclosed businesses, Dragon House Investments, was linked to Lau Lau-fat, one of the legislators with the best relations with Peking. Mr Lau is a godfather figure in Hong Kong's rural areas where he has extensive property holdings.

Most of Hong Kong's Chinese language newspapers yesterday suggested that the financial irregularities surrounding Mr Leung were insufficient to justify his dismissal.

Mr Patten said he was amazed by those suggestions.

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Taming the Franco-German behemoth

They lied through their teeth. So says Sir James Goldsmith, whose confused propaganda is about to flood the country. Of course they didn't. The politicians of both main parties who took us into the European Community, and kept us there, did not lie to us. They made a difficult, compromised and pragmatic judgement of the balance of national advantage. But central to their case was the argument that Britain would not be absorbed into a bigger country called Europe. It was always accepted that there were some misguided foreign Johnnies who wanted to create a United States of Europe, but they were not many, and, besides, there was always trouble with the translations. Even if many in the German and French political élites did want to go further than was strictly reasonable, they would not be able to, because the different languages and cultures, especially of an expanded Community, would make it impractical. That was a reasonable belief then, and it has not yet been proven to be wrong.

But now we do have to reconsider. Our exclusive report yesterday (so exclusive that even the British Foreign Office struggled to grasp its truth) is an important breakthrough in our understanding of the Franco-German engine at the heart of the European project. We need to be

clear about what is going on across the Channel, because the view has been well and truly fogged by wild Europhobe language, and by obscurantist Eurocrat jargon ("flexibility", "pillars" and other inter-governmental mumbo-jumbo).

Taxes and wars are the two defining features of nation states. In the past 500 years, modern countries created themselves by waging wars, and to pay for those wars they raised taxes. Now Germany and France want the inner core of Europe to harmonise tax policy – not just VAT on sales, already subject to upper and lower limits, but also income tax. This is not only the stuff of nation statehood, it is the very meat of modern politics, the issue that dominates democratic elections: how much will the voters pay to run the state? Later, the Franco-German élites will want to merge defence policy, the war-making machinery. It is time to face up to the fact that this is precisely what British pro-Europeans always argued and hoped would never happen. Of course the trite response to our story in yesterday's newspaper is to declare, as Downing Street and the European Civil Service did, that it could not happen under the terms of the Treaties of Rome and Maastricht which are the founding documents of the European constitution.

This is beside the point. Or rather,



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it may actually be the point, in that it is clear that the French and German governments are thinking beyond those treaties, and that constitution. It is now obvious that the governing élites in Germany and France really do intend to create a fully integrated core Europe, and it is possible that they will create new structures, separate from the European Union, to do it. The Benelux countries, and Italy, Austria, Spain, Portugal and Ireland will want to go along with the core Europe project, leaving Britain, with Denmark and possibly Sweden, outside.

Now, the splitting of the EU into two unequal parts is deeply unappealing to British eyes, and it may never happen. We have argued for some time that the governing élites in Germany and France are dangerously out of touch with their own peoples, let alone the peoples of the rest of Europe. But that has not stopped them in the past and is no guarantee that Tax and Social Security Union will fail.

If it goes ahead, it would not be the European superstate of sceptic propaganda. It would be something much harder to stop: a close-knit group of

nations governed by consensus and majority voting. The further away we get from Maastricht, 1991, the clearer it becomes that it was not, as John Major argued at the time, the turning of the European tide; it was merely a holding operation.

In principle, outer European countries could be members of a single currency without being members of a tax union. In practice, it is unthinkable. The case for Britain joining a single currency is already fragile. In order to argue that meaningful national sovereignty could be retained, it depends on the EU being an association of states or roughly equal status existing co-operatively in a single currency area. The dominance of the area by a core-Europe behemoth, in a possibly antagonistic relationship with Britain, a lone, medium-sized nation on its periphery, is not a scenario that either Tony Blair or Mr Major's successor could possibly contemplate.

It looks as if we might arrive at a point where even a future Labour government might after all be faced with a form of the "in or out" question. Not in or out of the EU, which could become an increasingly redundant organisation of hangers-on. The real question will be whether Britain should be in or out of the European core.

But all is not yet lost. This apoca-

lyptic vision of a future of two Europes ought to spur us on to pose deep questions. In particular, one assumption ought to be challenged. Robin Cook, the shadow Foreign Secretary, appears to agree with Mr Major that our role in the EU ought to be to put ourselves at the head of an alliance of peripheral nations against the Franco-German conspiracy. Surely, this is a flawed strategy on two counts. Surely Britain should either join a core troika that sets the direction of Europe, or find another more positive route to the future? And is part of the problem not the lack of an alternative project around which the smaller nations could unite?

That is why it was significant that Tony Blair yesterday came out against the idea of "flexibility" in the new treaty to be signed in Amsterdam in June. But that only raises the question of what he and Mr Cook favour. The challenge is to come up with a credible vision of Europe's future and work for it from within the core. By coincidence, this newspaper has argued consistently for such a vision over the past year, a model of a democratic constitution for what we call a confederal Europe, which is in tune with the desire of the majority of the peoples of Europe to preserve their independence while being part of something greater.

LETTERS TO THE EDITOR

Bugging: we cannot simply trust police

Sir: The letter from the president of the Association of Chief Police Officers (Acpo) and others (15 January) tells us we need not be concerned about the powers to be given to them by the Police Bill. Liberty takes a different view.

He argues that surveillance and bugging have been going on for a long time and the Bill does not provide for new tactics. That this procedure has been used although it is of dubious legality and often unlawful is an interesting confession. Whilst it is true that the police service has been concerned about the lawfulness of this practice, these qualms have, at least publicly, only been recently expressed. If the police have been prepared to bend the rules in the past, does that not confirm that we are right to be concerned about new powers being abused in the future?

I do not believe chief constables will, as a matter of course, seek to listen in to conversations between clients and lawyers, but it is wrong in principle for police officers, even chief constables, to have the power to authorise such surveillance. The suggestion by Acpo that police officers should be able to take the very sensitive decision to listen in to discussions between lawyers and clients in the middle of a criminal trial if, to quote the Bill, the officer "thinks it is necessary" because of suspected jury-fixing, makes me even more alarmed than I was before I read this letter.

The other concern that Acpo tries to dispel relates to the surveillance of protesters. The Bill allows bugging and burling only in respect of the prevention or detection of serious crime. However the definition of serious crime includes "conduct by a large number of persons in pursuit of a common purpose". Since the Criminal Justice and Public Order Act some forms of trespass now constitute criminal offences, and surveillance of those involved in road protests will be made lawful by this Bill.

Judges already have a role in deciding whether sensitive material held by doctors, journalists and priests can be searched by the police and this system can easily be extended to deal with bugging. It may be necessary to ensure that judges are available outside court hours, but systems already exist for judges to deal with injunctions and other urgent matters.

The current protections force us to trust the integrity and good sense of the police. I know that they will very often get it right, but there are too many examples of police officers getting it wrong, and these powers are too important for us to rely on that trust so completely.

JOHN WADHAM
Chairman, Courts and Legal Services Committee
The Law Society
London WC2



incorrectly that there are constitutional difficulties in making bugging and other covert surveillance techniques subject to prior judicial authority. It is the long-established role of our judiciary to balance the interests of the individual with those of the state, and this is clearly recognised in legislation such as the Police and Criminal Evidence Act 1984.

DEREK SANDS
Courts and Legal Services Committee
The Law Society
London WC2

Sir: That the six chief constables whose letter you published expect your readers to believe that robbers would use solicitors' premises to avoid police surveillance is frightening enough. Even more alarming is the possibility that they may actually believe it themselves.

Given the seniority of its authors, the letter is a desperately disappointing attempt to justify a frightening piece of legislation. Their dismissal of the genuine risks of abuse of their powers as "emotive red-herrings" confirms that they are not capable of operating any safeguards whatever and that authorisation from outside the police service is essential.

The current draft of the Police Bill leaves the police so much scope to "suspect" serious crime that they can, in effect, justify bugging virtually anyone who crosses their path. The chief constables' enthusiastic welcome for the commissioner who will retrospectively scrutinise their decisions tells us all we need to know about how many teeth that watching won't have.

PAUL STRASBURGER
London NW6

Votes or violence at Newbury

Sir: I was at the Newbury Bypass rally on Saturday. As a councillor representing communities either side of the bypass and as a signatory to the Road Traffic Reduction Bill (RTRB), I was happy to show solidarity for those with whom I sympathise but whose methods I have all along disapproved of.

I left before the violence, after Tony Benn's speech, in which he spoke of the importance of non-violent protest and of participation in mainstream politics. As he mentioned the word "vote", I heard young people behind me snort and chuckle. What a pity that so many of those most enraged by environmental destruction won't even be registered to cast their votes for candidates likely to support an RTRB in the next parliament.

It is not too late for everyone to get on an electoral register now; it will be too late when the general election is called. People fought for the right to vote in the way anti-road protesters are fighting now.

TONY VICKERS
Newbury, Berkshire
The writer is Liberal Democrat Prospective Parliamentary Candidate for Devizes

Sir: "Saving the world" needs action, not patronising editorials (leading article, 13 January). The "violence" to a tipper truck at Newbury is as nothing compared to the relentless trashing and burning

of ancient woodland, demolition of thousands of homes and evictions of whole communities that the roads programme continues to demand.

Peaceful protest has been all but outlawed by the Criminal Justice Act. MIS are "watching" environmental groups and activists and the forthcoming Police Bill will allow the police to barge and bug their homes, culminating in imprisonment for those with "a common purpose".

Your servile cry for a green leader (who is always good for a profile piece) betrays your limited understanding of green political thought, while your inability to see beyond the all-knowing "free" market confirms your allegiance to government and corporate "business as usual".

"Violence" is an emotive word and condemnation from the moral high ground (soon to be reduced to an open-cast mine) is all too easy.

DARREN LOCKE

London N4

Sir: As I stand at the bus stop in the morning I am confronted by a large poster advertising "New Labour - New Price Rises". Yes, please.

New price rises would be a welcome relief from those I have suffered so far this year: 20 per cent on my morning bus fare and 7 per cent on my tube fare. If this is how this government manages inflation, how could the alternative be worse?

GEORGE BENNETT
London N19

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Fax: 0171-293 2056; e-mail: letters@independent.co.uk.

E-mail correspondents are asked to give a postal address. Letters may be edited for length and clarity.

Blast in the new millennium

Sir: Three cheers for Nicholas Roe's suggestion of a millennium blasting of architectural eyesores (article, 10 January). Two and a half cheers for Jonathan Glancey's nominations.

Yes, away with all the Kentucky Fried Georgian boxes which are such unworthy successors to the fine suburban housing projects of inter-war and post-war years. Away with Quinlan Terry's dreary and unimaginative heritage theme-park pastiches, so beloved of the Prince of Wales.

But spare the Victorian terraces, for while individual buildings among them may lack much, collectively they often demonstrate the skill and imagination of 19th-century city planners, who envisaged the urban scene as a whole – in terms of streets and vistas and eye-catching features.

Most surely are corner sites, often marked with a tower, a cupola or a portico terminating a view and lending grandeur to the most ordinary of streets. We still (just) have some fine examples in Liverpool.

An alternative candidate for the millennium chop? I'm a champion of many modern buildings because the mid-20th century has produced some real gems – Basil Spence's work at Newcastle University for example. And I would much prefer the dramatic and sculptured 1960s Paternoster Square near St Paul's to the mindless "classical"

nonsense proposed to replace it. But the Canary Wharf tower has to represent the nadir of architecture. The mindless scale and banality of this nauseous building sums up the worst excesses of the "get-rich-quick" Thatcher Eighties.

D G BEARDSLEY

Liverpool

Sir: Architects and architectural correspondents do not seem to judge a building by whether it works but according to some curious theology preached only by architects, and incomprehensible to the rest of us who use buildings.

Jonathan Glancey ("A comprehensive cock-up", 10 January) called for the preservation of a building that clearly does not work, the Pimlico School, and rubbishish one that does work, Richmond Riverside ("Tear down terraces, shopping centres, the lot", 10 January).

The glass school, although visually exciting, is in Glancey's own admission too hot or too cold, and costs £370,000 a year to maintain. It does not work.

Richmond Riverside, whatever one may think of "faux Georgian" as a style, attracts many more people to use its pubs and stroll along the Thames than does, for instance, the terrace in front of the Festival Hall. It works for both passers-by and occupants. What more can be asked of a building?

But Jonathan Glancey and his peers are only interested in style, not content. He should ask the users why some buildings work and some don't. He might be shaken by their replies into a better understanding of what architecture is about.

RICHARD SARSON

London SW20

Sex on the Quayside

Sir: In my 40-minute phone interview I never once said that *Quayside*, Tyne-Tees TV's new drama, was "sex-free" (leading article, 14 January). Nor has it ever been "billed" as such.

The implication that *Quayside*'s storylines have been influenced by Bruce Gyngell's views on *Hollywood Lovers* is false. Mr Gyngell has had no editorial input on the show. TTTV has given me and *Quayside*'s writers complete freedom to produce a show with the best chance of making a dent in *EastEnders*' audience.

I can inform your readers living in "Middlesbrough and Whitley Bay" that with storylines based on transgressions of the seven deadly sins (plus consequences thereof), there is sex aplenty in *Quayside*.

MATTHEW ROBINSON
Producer, Quayside
Newcastle upon Tyne

Stone of Egypt?

Sir: The suggestion (letter, 13 January) that the Stone of Scone should be returned to Northern Ireland should be treated with caution. The same legend that says it was taken to Scotland by Fergus Mac Erc says the stone is Jacob's Pillow, and was brought to Ireland by the grandson of the daughter of the Pharaoh who found Moses in the bullrushes.

So should we not rather return it to Egypt? Or Israel? HECTOR McDONNELL
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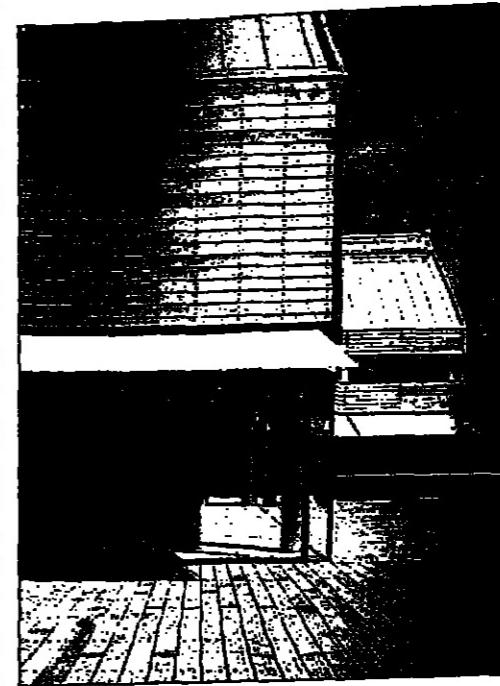
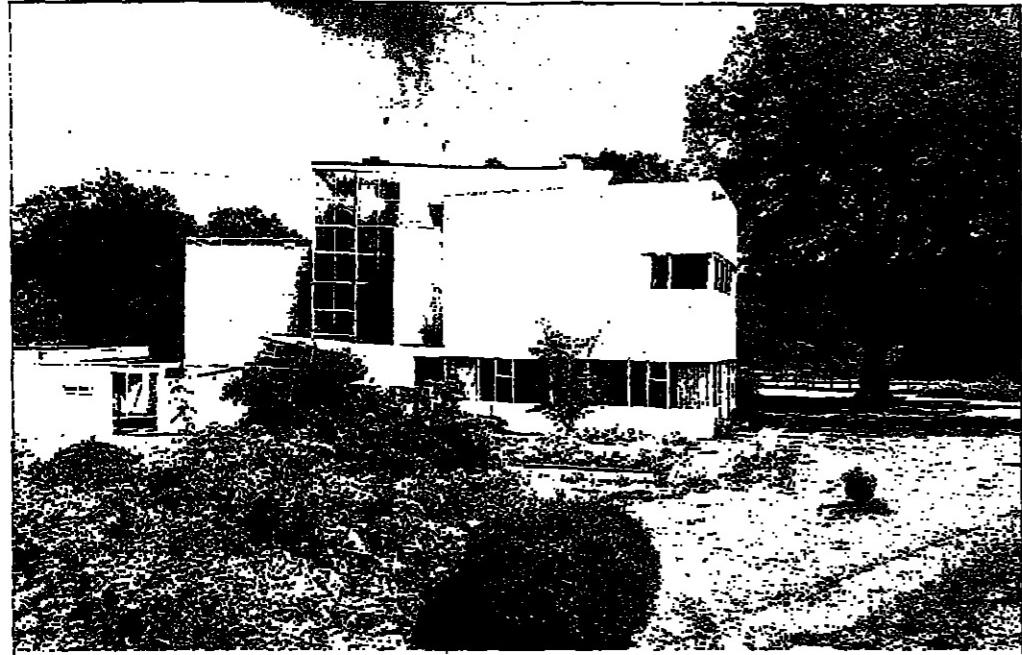
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interview



New perspectives: buildings favoured by the new director, Richard Hedges (centre), include (far left) the fiercely Modern White House in Surrey, and the new boat house at Henley

Learning to love carbuncles

The Prince of Wales's Institute of Architecture occupies an exquisite Nash villa on the edge of Regent's Park, the sublime neoclassical urban development promoted by the eponymous Prince Regent, later George IV, who was deeply unpopular in his lifetime and notorious for his love affairs, but remembered by posterity for the Park and the Street.

Once upon a time – any time, in fact, in the past four years – the villa and its location in the park would have served as useful shorthand for the perceived nature and limitations of Prince Charles's architectural aspirations: nostalgic, refined, turning a haughty back equally on the grungy mayhem of Camden High Street, 200 yards down the hill, and on the works and philosophy of Modernism.

But after the most dramatic changes yet in the Institute's short but turbulent history, this convenient symbolism will no longer serve. In October the Director of Studies, Dr Richard John, was replaced after only nine months in the job by Richard Hodges, a professor of archaeology. Two months later, at the Prince's request, all 15 members of the Institute's governing council stood down, and have yet to be replaced.

Now Richard Hodges plans to move the Institute from its beautiful but impractical headquarters to a new location, as yet undecided but which, following the lead of the Prince's Phoenix Trust, may well be a listed but abandoned building such as a redundant school or hospital in an urban regeneration site.

As the symbols change, so will the matter symbolised. Dr John, Professor Hodges's predecessor, was an ardent enthusiast for Classicism, an acolyte of David Watkin's vision of Peterhouse College, Cambridge. Under John's direction the Institute was clearly identified as the avowed enemy of the Modernist philosophy that has dominated British architecture since the war. It was the friend of reactionary neo-classical architects such as Quinlan Terry and John Simpson, the academic arm of the tendency which produced the (yet unbuilt) neo-classical plans for the redevelopment of Paternoster Square, abutting St Paul's Cathedral.

Now, under Professor Hodges and indirectly following the wish of the Prince himself, all that is to change. "I don't doubt that there is a place for classicism," Professor Hodges told me, "but that kind of stylistic issue is not our interest."

The result, two years later, were radically reactionary alternative proposals for the redevelop-

development of Paternoster Square, featuring bulky modern office buildings covered in neo-classical detailing. The Prince was learning that he could not only stop things, he could also get things done. Other initiatives followed, such as the housing estate, Poundbury, on Duchy of Cornwall land near Dorchester. But the creation of the Institute of Architecture in 1992 was the big one. Through the Institute the Prince would escape the trap of being limited to commenting or taking action on individual projects one at a time. Instead, a permanent organisation would be put in place, dedicated to the Prince's vision.

Two years later he oversaw the launch of *Perspectives*, a magazine of architecture, nominally independent both of the Institute and its governing council, but in fact closely monitored by both, and just as dedicated to furthering the Caroline vision.

In the years since they were set up, however, both the Institute and the magazine have had an extremely bumpy ride. In its first four years, the Institute has had four directors; *Perspectives'* first editor, *One Foot in the Past* presenter Dan Cruikshank, was sacked soon after the launch. Both magazine and institute have appeared to be desper-

"Couldn't find an architect willing to do it. I imagine, 'one famous Modernist suggested cynically. Richard Hodges is not just any archaeologist, however, as he is quick to point out. Aged 44, and still talking with a hint of a Wiltshire accent despite years abroad, he was head of the British School in Rome between 1988 and 1995. This involved not only archaeology but also running a multi-disciplinary institution as well. (The high Modernists Richard Rogers and David Chipperfield were among his guest lecturers there.) He is also (still) in charge of two important excavation sites, in the south-west of Albania and in Italy. Both these huge projects have involved challenges – building visitors centres and so on – that are intrinsically architectural.

But perhaps Hodges's chief attraction to Charles is precisely that he is somewhat above the fray, removed from the feverish, feuding world of British architecture, and with a clear-eyed view of British strengths and limitations which comes from an extended stay abroad.

Speaking in his large, high and almost bare study, in which a bust of the Prince is practically the only item of decoration, he explained how under his direction the Institute was about to turn over a new leaf.

"I don't doubt that the architectural establishment has been deeply suspicious with some reason, of some of the rhetoric that's come out of this place," he said. "But the Prince hasn't actually said 'Think columns and fluted capitals'... Fundamentally he's saying, 'Think afresh, think anew.'

"What sort of architecture does Hodges personally favour? "The building I most like – the most remarkable modern architecture I've seen – is the transformation of the National Museum in Copenhagen, done in steel and glass. The big courtyard is covered by an atrium, with a series of glass and steel corridors and with the wonderful light you get in Danish buildings, and with a strong sense of spirit, of place."

But Hodges also confesses to tastes that would have had little place in the Institute before his arrival. Foster's vast, hangar-like building at the University of East Anglia, for example. "It's highly questionable in the way it works, but it's wonderful to approach, and it gives students a boost, the like of which no other building in contemporary universities does." Then there's Foster's newer building on the same campus. "I know it's heresy to say so, but it's a wonderful building."

Britain's architectural culture is overdriven for some outside stimulation. All the most authoritative commentators and critics have fled to the United States, and, as the paranoid reaction to Charles's carbuncle speech demonstrated, neurotic hypersensitivity is endemic in the profession, the inevitable result of widespread unpopularity.

This morbid condition needs to be confronted. So far the Prince has mostly succeeded only in aggravating it. But now he has detached himself from the classicist extremists and signalled that the barricades are to be dismantled, perhaps at last a true debate can begin.

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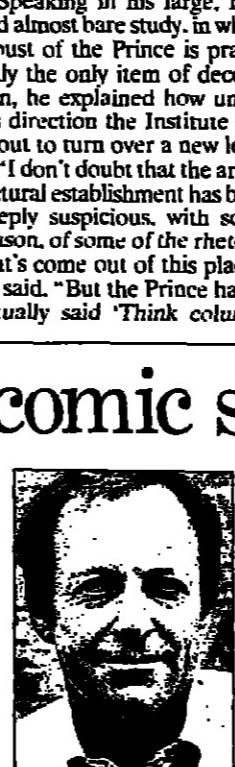
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Godfrey Catnip writes:
I have noticed that many famous comedians have also gone into the novel business.
Godfrey Catnip writes: It cuts both ways, actually. Some novelists go into the comedy business. There are lots of examples.
Godfrey Catnip writes: Oh yes. For instance, Howard Jacobson is a well-thought-of novelist, and yet he has recently gone right outside his orbit and completed a series and a book for Channel 4 all called *Seriously Funny*.
Interesting. What other examples are there?
Godfrey Catnip writes: I can't think of any.
You said there were lots of examples.
Godfrey Catnip writes: I know. That is what we do in master classes. We say there are lots of examples of something and we name one, thus creating the illusion that there are lots of others, even if there aren't. Nobody ever talks back in a master class. Except you.
I see. As I was saying, I have noticed that many modern comedians have gone into the novel business. In the old days they would just do Christmas books, like *Frankie Howerd's "Titter Ye Not"* compendium.

Then we have a bit of a difficulty there.
Not necessarily. I do have exactly the same name as a well-known comedian ...

Godfrey Catnip writes: Ah ... And I thought that if I put out a novel under my own name, everyone would think it was written by the famous comedian and it would be a best-seller.
Godfrey Catnip writes: Excellent idea!
So I thought I would ask your advice.
Godfrey Catnip writes: Go ahead! Ask!
What advice do you have?
Godfrey Catnip writes: Excellent question. My advice is to write well within the character of the comedian whose name you share.
Could you explain that?
Godfrey Catnip writes: If you look at the novels written by comedians, you will find that they always reflect the creator's personality or his stage persona. Milligan's *Puckoon* was Irish and scatty. Harry Secombe's *Welsh Fango* was warm, Welsh and expansive. Frank Muir's recent novel was elegant and fastidious. Ben Elton's novels have always been sharp yet actually quite earnest and a bit long-winded. Ade Edmondson's novel is, I believe, riotously bawdy, surprise, surprise.
But what if the real Adrian Edmondson is shy and retiring?



Miles Kington

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But what if the real Adrian Edmondson is shy and retiring?

Godfrey Catnip writes: Then he would be ill-advised to write a shy and retiring novel. He was wise to write it in the style of his stage persona. Thousands of students have revelled in his skinhead approach to life in *The Young Ones* and *Bottom*.

They wouldn't want him to write a sensitive Booker Prize novel and they wouldn't buy it if he did.

I see.

Godfrey Catnip writes: So, after what famous Northern stand-up comedian are you named, in whose style you hope to write this best-seller?

My name is George Formby.

Godfrey Catnip writes:

George Formby? If I had known this was a leg-pull, I would never have agreed to do this master class in the first place! This has been a complete waste of time!

Goodbye!

Godfrey Catnip will be back again soon, when he has simmered down.

الإمارات

business & city

Business news desk: tel 0171-293 2636 fax 0171-293 2098

BUSINESS & CITY EDITOR: JEREMY WARNER

Chris Godsmark
Business Correspondent

The head of UK operations for Siemens, the German electrical engineering giant, yesterday made one of the strongest attacks yet from the business community on the Government's increasing hostility towards joining the single European currency.

Jürgen Gehrels, chief executive of Siemens in the UK, said the company would never have

committed itself to investing up to £1.1bn in a state of the art micro-chip plant on North Tyneside had he realised the possibility that the UK would decide to stay out of the single currency.

Speaking before Siemens' annual UK results presentation in London, Mr Gehrels said: "If it had been clear that Britain would be out of a single currency at the time we invested in North Tyneside then that decision would have gone another way."

Describing the "crazy" problems for Siemens associated with doing business in 14 or 15 European currencies, he continued: "If Britain really decides to stay out for ever that would be very serious."

The attack also suggested that the continuing uncertainty over the issue of Economic and Monetary Union could influence Siemens plans to invest up to £1bn in the UK by 2001 on internal expansion and buying other businesses. The growth

plan outlined yesterday envisages the company's British sales surging from £1.5bn to £4.4bn over the same period, with the workforce growing from 11,000 to 18,000.

Siemens UK division is one of the longest established parts of the empire, which this year celebrates its 150th anniversary. The company's British subsidiary was created in 1858, manufacturing and laying submarine cables for the expanding telegraph network.

However, Mr Gehrels did say some good news for workers on North Tyneside, pledging that second phase of the plant would now go ahead despite the crash in worldwide semiconductor prices.

Siemens had previously said it was reviewing the investment following the 7.5 per cent drop in micro-chip prices last year. Mr Gehrels said that the timing of the second phase of the investment depended on the recovery in chip prices, which he believed

could take two years. "There is absolutely no question whatsoever that Siemens will go back on its commitment to that site," Mr Gehrels said.

Siemens yesterday revealed a

16.4 per cent rise in UK sales last

year to £1.5bn, with a 13.5 per

cent jump in new orders to

£1.75bn. The group forecast

that turnover during 1997 could

grow by 50 per cent as new joint

ventures in the telecommunications market came on stream.

People, page 24

Inflation dip helps Clarke maintain rates

Diane Coyle
Economics Editor

The Chancellor of the Exchequer left interest rates unchanged yesterday, following his Wednesday afternoon meeting with the Governor of the Bank of England. His decision was reinforced by figures showing that the inflation rate edged lower last month.

The financial markets reacted with exuberance. The FTSE 100 index jumped nearly 39 points to close at 4,197.5, a new record. The pound fell briefly when it became clear base rates were not going to rise, but ended the day almost unchanged at DM2.6673.

Mr Clarke emphasised the rise in sterling during recent months as a factor in his decision. "The big thing at the moment is the pound is very strong, and that is very anti-inflationary," he said.

The Chancellor also referred to the evidence on industrial output and Christmas shopping, both a bit weaker than expected.

Yesterday's figures showed that the Government's target measure of inflation, the retail price index excluding mortgage interest payments, fell in December for the first time since May. It declined from 3.3 per cent to 3.1 per cent, compared to the 2.5 per cent target.

The headline rate fell to 2.5 per cent from 2.7 per cent in November.

"These figures show that subdued cost pressures and a stronger pound are feeding through to lower inflation," the Chancellor said.

Analysts were divided in their reactions. Optimists concluded that Mr Clarke would be able to hold off any increase in the cost of borrowing before the election.

"These figures will lay to rest the fears that stronger retail demand is leading to higher prices," said Simon Briscoe, an economist at Nikko. Michael Saunders, an investment bank Salomon Brothers agreed. "If sterling remains strong it is possible that rates will be left unchanged," he said.

Others said the strength of the economy meant the longer term inflation outlook was less favourable. David Walton at Goldman Sachs predicted that it would rise to 4 per cent in 1998 after hitting the target measure briefly later this year.

Part of the explanation for last month's fall in inflation was the comparison with a strong rise in prices, especially for food, 12 months earlier.

In addition, petrol prices fell after tax, while retailers appeared to have passed on only about half of the duty increase announced in the Budget. There were also falls in the prices of some high-street goods such as clothing and footwear and household appliances.

Comment, page 21

ScotAm chiefs set to share £14m windfall

Nic Cicutti

Scottish Amicable, one of the Britain's oldest life companies, yesterday announced plans to shed its 170-year-old mutual status in favour of a two-stage process leading to a £1bn stock market flotation, which could yield a multi-million pound windfall for its directors.

The move, planned to take place in three to five years, could lead to the company's seven-strong executive team receiving shares worth up to £14.4m in total if new business reaches a required target.

In addition, Scottish Amicable's 2,200 staff could receive a maximum of up to £23m in free shares at flotation, and the company's 1.1 million eligible policyholders receiving at least £200m in bonuses.

Policyholders will also receive an initial special bonus of £75m on their later-with-profits policies in May if demutualisation is approved by them in March.

Payouts will be based on a combination of the length of time policies have been held by members and their value.

The plan requires £350m in financial backing from Swiss Re, the reinsurance firm, aimed at bolstering Scottish Amicable's with-profits fund. In addition,

Securitas Capital, the venture capital firm jointly owned by Swiss Re and Credit Suisse Group, will contribute £45m to finance new business growth by ScotAm.

Swiss Re and Securitas, whose presence was described as helping instil "a more sharply profit-focused culture", will have three seats on a new board.

Sandy Stewart, chairman of Scottish Amicable, said: "These proposals are designed to create substantial added value over the medium and long term for with-profit policyholders and enable Scottish Amicable to build on its strong market position."

"We are delighted to welcome Swiss Re and Securitas as our partners and I am pleased that they will be joining our new board."

Today's decision makes Scottish Amicable the second UK life assurance group to seek a flotation, following plans announced last year by Norwich Union.

Scottish Amicable is the UK's sixth largest mutual life assurance company, selling a whole range of life, pensions and savings and investment products.

At the end of 1995, it had total funds under management of £1.6bn and total premium income for the year of £1bn.

Payouts will take place in two

The announcement brings to an end more than a year of intense speculation about its long-term future, with several firms, including Prudential and both Dutch and German insurers being named as potential predators.

Scottish Amicable said significant opportunities existed for profitable growth in its businesses. But to take full advantage "requires access to external capital in both the short and long term."

Mr Stewart argued the group intended to hold on to its independence: "Our plans do not include being gobbled up by anybody."

Ashok Gupta, finance director at Scottish Amicable, said the de-mutualisation and flotation process would be in two stages. In the first stage, the business, staff and operations of the group will be transferred to a new company, Scottish Amicable Life.

This will be a wholly owned subsidiary of Scottish Amicable Holdings, a newly formed company, with 79 per cent voting rights held by a trust representing policyholders.

Swiss Re's backing will give

a £350m boost to Scottish Amicable's with-profit fund, to be managed by Scottish Amicable Life.



Welcoming partners: Sandy Stewart, chairman of Scottish Amicable (left), and Roy Nicolson, managing director, yesterday enthused about the link-up with Securitas and Swiss Re

Carpet baggers left out in the cold

The flotation of Scottish Amicable is not for carpetbaggers because of the way payoffs are structured to benefit long-term investors, writes Nic Cicutti. Up to 1.1 million members investing in the company's with-profit fund will benefit from the company's de-mutualisation and eventual flotation. About 300,000 investors in unit-linked schemes will be excluded from the payoffs.

Payouts will take place in two

stages. Assuming members vote in favour of de-mutualisation by a 75 per cent majority of voting members, the first payout of £75m will take place in May. This will involve bonuses being attached to endowments.

Paul Bradshaw, deputy chief executive at Scottish Amicable, admitted that it was not possible to stop potential carpetbaggers taking out a policy until March.

But any bonus payable is

linked to the length of time the premiums are paid in. They are worth about 2.5 per cent of the bonuses so far attached to policies.

Policyholders with a 25-year,

£30,000 sum assured policy maturing on 1 April would receive £1,503. This falls as the maturity date lengthens, so that a person with a policy maturing in 2012 would receive just £287.

The second stage of payoffs,

estimated at a further £200m, will be payable on flotation in three to five years' time. Mr Bradshaw said it was proposed to continue with bonuses rather than free shares but no firm decision had been taken.

The seven-strong ScotAm executive's shares will be worth up to £14.4m depends on 25 per cent growth in the New Business Fund over each of the next four years. This was described by the company as a "tough but realistic target".

Others said the strength of the economy meant the longer term inflation outlook was less favourable.

David Walton at Goldman Sachs predicted that it would rise to 4 per cent in 1998 after hitting the target measure briefly later this year.

Part of the explanation for last month's fall in inflation was the comparison with a strong rise in prices, especially for food, 12 months earlier.

In addition, petrol prices fell after tax, while retailers appeared to have passed on only about half of the duty increase announced in the Budget.

There were also falls in the prices of some high-street goods such as clothing and footwear and household appliances.

Investment column, page 22

BZW capitulates on rights auctions

Peter Rodgers
Financial Editor

BZW yesterday joined the City's move towards cutting the cost of rights issues through an auction of the sub-underwriting, with a £35m fund raising for Finelist, the car parts distributor.

So far Schroders and Kleinwort Benson have been the only merchant banks to employ auctions of the sub-underwriting to cut the costs for clients.

The failure of other corporate advisers to employ similar techniques has led to suspicions that some of the bigger investment banks including BZW have been deliberately boycotting the idea.

The BZW auction is the sixth to be launched by a City investment bank since last October, as part of a campaign to persuade the Office of Fair Trading not to refer the fixed commission system to the Monopolies and Mergers Commission for an investigation.

However, Chris Lloyd of BZW said the rights issue for Finelist, BZW's first auction, proved the mechanism worked and he added: "We'd like to move forward."

Investment column page 22

Lord Harris makes a 'load of Monet'

Nigel Cope

Lord Harris of Peckham, chairman of the Carpetright retail group, yesterday made a pre-tax gain of £23m when he sold 4 million shares in the company at 56p.

The 54-year-old entrepreneur said he was selling the shares for "estate" reasons so he could avoid the payment of inheritance tax. He said he planned to use the proceeds - which will amount to £14.5m af-

ter the payment of tax and dealing costs - to buy paintings and other works of art which he could pass on to his four children. "He has made himself a load of Monet," one dealer said.

Lord Harris, who has undertaken not to sell any more shares in the group for two years said: "I've got a big art collection and I'd like to get some more paintings." He has around 400 paintings and is particularly keen on impressionist masters such as Pissarro and Sisley. He

Lord Harris also revealed

Newcastle United yesterday pushed ahead plans to raise up to £50m in a stock market flotation by Easter despite increasing concerns about the choice of Kenny Dalglish as the new manager of the Premier League side.

Potential investors want Mr Dalglish, who succeeded Kevin Keegan earlier this week, to give the City a reprieve for a few months to see how the auctions would develop before a decision is made on whether to refer the to MMC.

Despite the continued confu-

sion surrounding Mr Dalglish's reasons for leaving Liverpool and Blackburn, analysts said his appointment had restored the stock market's confidence and put the flotation back on track.

Newcastle said at least 10 per cent of the shares on offer would be available to the public, who will have to apply for at least £500 worth of stock.

Newcastle's owner, Sir John Hall, will remain chairman of the football club while a new non-executive chairman for the holding company will be named later.

The club said its operating

profit, before transfer fees, in the year to July 1996 was £5.9m on revenues of £79m.

At the end of last year, Newcastle revealed ambitious plans to a new 55,000-seater stadium to replace its current home at St James' Park, which holds just over 30,000.

Sheffield United became the latest football club to float on the stock exchange yesterday when its shares raced to a big premium over their placing price of 60p. They closed at 101.5p, after touching 145p, valuing the club at £16.7m.

American's 9,300 pilots, whose union is the Allied Pilots Association, this week ignored a company-imposed deadline to accept outside arbitration in a wage dispute that has been dragging on for more than two years. The two sides have now entered a government-required one-month cooling-off period.

The pilots, who are rejecting a four-year, 5 per cent pay rise offer by American, will be free to walk out on 15 February if no deal is reached before then. Such action would undoubtedly ground the airline.

American contends that giving in to union demands for more generous pay increases would put it at a disadvantage against rival carriers such as United Airlines and Delta Air Lines, where wages have been scaled down.

"This is as grave a situation as I've seen the company face

in my career here," said Gerard Arpey, the airline's chief financial officer. "We are at a loss what to do next: accept a contract that would be at best uncompetitive, or a possible cessation of operations."

The crisis hit the airline just as its parent company, AMR, announced record fourth-quarter earnings. Net income for the company in the fourth quarter of last year reached \$284m (£170m) while 1996 came out as its best year on record, with earnings topping \$1bn.

A strike and grounding at the airline would cast a pall over the proposed marriage with British Airways. Last week BA and American entered the final stages of preparation for the pact by submitting formal requests with US regulators for anti-trust exemptions.

The turmoil also threatens to scupper American's contract with Boeing for the purchase of no less than 103 new jets in an order worth \$6.5bn.

With no sign that they are willing to back down, the leaders of the pilots' union seem to have been stiffened by AMR's record earnings.

Union spokesman Wally Pitts said: "Our wage requests are reasonable. All we want is a cost-of-living increase."

"This is as grave a situation as I've seen the company face

as reasonable. All we want is a cost-of-living increase."



Lonrho will press ahead with break-up

Tom Stevenson
City Editor

Lonrho's new chief executive Nick Morell put a break-up of the mining to African trading conglomerate firmly back on the front burner yesterday. The proposed split had appeared to founder late last year after an EU investigation into the company was launched following the unexpected sale of former chief Dieter Bock's 19 per cent stake to Anglo American.

Announcing a 13 per cent rise in profits for the year to September, Mr Morell, former head of the African trading arm, said yesterday: "Your board remains committed to the view that the best way of delivering maximum value for shareholders is to separate the mining and non-mining interests."

He said the exact form of the split was uncertain but would probably involve some disposals of businesses before a demerger of the remaining trading operations from the mining rump. The Lonrho name is expected to go with the trading arm and Mr Morell would probably move to those mainly African businesses, as Mr Bock had indicated he would before unexpectedly stepping down as chief executive last October.

Lonrho first announced its intention to perform a three-way split last January, but since then has only achieved the sale of its Metropole hotels to Stakis. A planned flotation of the hotels arm, which also includes the Princess resort hotels in North America, was abandoned after advisers warned the market was losing interest after a flood of flotation in the sector.

The sale of the Princess chain, for which Lonrho is believed to be final negotiation with Saudi businessman Prince Alwaleed bin Talal bin Abdalaziz, is crucial to any



Preparing for demerger: Chief executive Nick Morell still wants to separate mining and non-mining interests

demerger. The expected proceeds of more than £300m would be used to knock a big hole in debts.

Mr Morell would not be drawn on which other businesses might be sold before a demerger. Lonrho's interests include sugar plantations, African car dealerships, hotels and a range of agricultural operations including cotton, timber, meat processing and brewing. In the UK it owns the Dutton Forshaw car dealerships and Cranlington Textiles.

Lonrho said continuing confusion over the status of its largest shareholder, Anglo American, would not divert it from its planned demerger.

The EU is currently probing Anglo's acquisition of a 28 per cent stake in Lonrho, mainly from Dieter Bock, and has barred it from voting its shares pending its investigation into possible competition complications due to the two companies' interests in platinum.

Pre-tax profits rose 13 per cent during the year to September from £151m to £170m before exceptional items. Earnings per share were 34 per cent higher at 19.3p (8.9p) and a final maintained dividend of 3p was recommended, making a total for the year of 5.25p. Lonrho's shares, which have fallen from a high of 217p over the past year, closed 2p higher at 127p.

One for the share jockeys to avoid

THE INVESTMENT COLUMN

EDITED BY TOM STEVENSON

First Leisure is as close as you get to a boring, defensive stock in its sector and, after raising profits through boom and bust, the owner of many of Blackpool's biggest attractions deserves to stand out in an otherwise volatile industry. Yesterday's full-year results were more of the same with the only two underperforming divisions, the Riva bingo halls and two West End theatres, relatively insignificant in group terms. The key operations in nightclubs, sports and resorts are firing on all cylinders.

Pre-tax profits of £43.7m were 9 per cent higher than last year and slightly above expectations. Earnings per share of 19.3p were up by a similar margin and the dividend rose in line to 8.44p. The shares, which initially edged higher on the news, closed 8.5p lower at 336p as the market focused on marginally cautious comments on post-Christmas trading which was hit by the cold snap.

The chief executive, John Conlan, is happy for First Leisure to be seen as the sector's safe but dull play, describing the stock as one for real asset managers not for what he calls "share jockeys". He plays a long game and would rather invest for the future than chase short-term and possibly unsustainable gains.

That philosophy was borne out by First Leisure's plans, announced yesterday, to spend £100m over the next 18 months or so expanding the key areas of nightclubs, where six sites are planned, health and fitness clubs, where eight are in the pipeline, and Brannigans music bars. It is also running out the successful Snowdome indoor skiing concept from one site at Tamworth to two more this year and possibly eight more eventually.

First Leisure likes to draw a distinction between itself and other leisure giants, such as Whitbread, which are unafraid to pay over the odds to secure a position in a growing market. First Leisure walked away from David Lloyd Leisure last year, leaving the sports clubs to Whibread and taking the organic route of building its own chain from scratch. Only time will tell which avenue is most fruitful, but the Conlan approach is certainly lower risk.

The key to his success will be the return generated on that capital and, while previous targets of 20 per cent are proving challenging in a low-inflation environment, in real terms the company is still using its cash well. With gearing of only 19 per cent and the interest bill covered 12 times by earnings, First Leisure is in a strong position to capitalise on the steady recovery in consumer confidence.

Assuming profits before tax in the year to October of around £47m, the

shares currently trade on a price/earnings ratio of 16. That is a small premium to the market but rightly so given the prospects and solid record. After underperforming for a year or so the shares look good value again.

Finelist motors ahead nicely

At first glance, Finelist, the motor parts distributor, looks worryingly like one of the 1980s stock market stars which fell to earth in the 1990s. Floated at 130p nearly three years ago, the shares have nearly tripled to 381.5p, the latest storming 32.5p rise coming despite news of a four-for-17 rights call at 320p.

This parabolic trajectory has been fuelled by a £137m three-year acquisition spree, including yesterday's £61m purchase of Tomkins' Ferrari Piston Service parts distribution business. But Finelist, which estimates that profits soared from £4.65m to £7m in the six months to December, looks more soundly based than many of its 1980s lookalikes.

For a start, the management has long

experience in this business: the executive chairman, Chris Swan, has been selling car spares for more than 20 years, starting in Halfords.

The combination of that experience and the potential for the business looks compelling. Adding Ferraris to the Autela and Edmund Walker brand names should squeeze an extra £1.9m from the combined operation.

More importantly, it will take Finelist's chain of depots serving independent garages, fleets and the like to 235. Yet this represents a tiny fraction of a highly fragmented industry where the group's boast of supplying three-quarters of the country within the hour and the rest once or twice a day gives them a good chance to clean up. The target is for 400 branches in five years and the only real competitor is the separately quoted Partco.

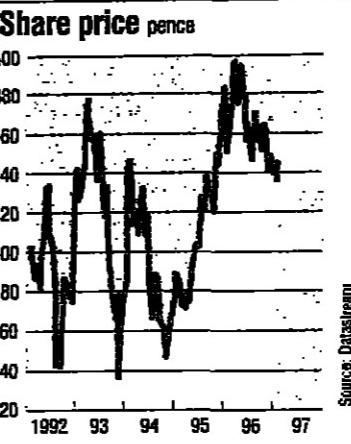
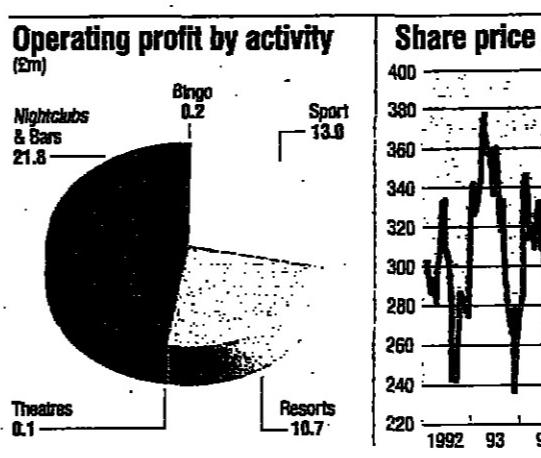
It's a similar story at Motor World and Charlie Brown, acquired last year in the group's first foray into high street car parts retailing. Claiming not to compete directly with Boots' Halfords arm, this business has less than 10 per cent of the retail market.

Raising the current 330 shops to the planned 500 by 2001 looks realistic, based on planned expansion into Scot-

First Leisure : at a glance

Market value: £549.4m, share price 336p

Five year record	1992	1993	1994	1995	1996
Turnover (£m)	109	122	142	159	183
Pre-tax profits (£m)	31.1	30.7	37.5	40.1	43.7
Earnings per share (pence)	16.8	14.0	16.4	17.6	19.3
Dividends per share (pence)	6.1	6.5	7.0	7.7	8.4



land, East Anglia and the South-east of England.

The pace of growth has been heady. Assuming this year's expectations are met, profits will have multiplied over 33 times to £17.3m in six years. However, the new equity could prove a drag on earnings and the shares, on a forward multiple of 19 falling to 16, could mark time for a while. Worth picking up on any weakness, even so.

Right time for carpet sales

It is always inevitable that founder entrepreneurs will eventually seek to reduce their holding in their creation some time after it goes public. It happened with Sir Graham Kirkham at DFS Furniture and it is happening now with Lord Harris at Carpetright.

Such decisions can upset shareholder sentiment and be taken as a sign of reduced confidence in future prospects. But there were no signs of that yesterday following Lord Harris's decision to sell a chunk of his holding. The shares even rose 7p to 598p.

That the market was so unfurled is a sign of how highly regarded this company is. Since flotation in June 1993 the shares have risen four-fold and Carpetright's share of the UK carpet market has mushroomed from 6 per cent to 17 per cent.

Yesterday's figures were as sparkling as usual with pre-tax profits in the first half up 38 per cent to £1.4m on last year. Like-for-like sales were 16 per cent ahead and still are in current trading. The margin also rose by 3.5 percentage points to 48.6 per cent. It was here that the City had its only gripe. Carpetright has changed the way it accounts for carpet fitting and this change accounted for 2 percentage points of the margin increase.

That aside, it was all very upbeat stuff. The group has 290 stores and is rolling out its larger Carpet Depot format aggressively. It will open another 24 this year, taking the total to more than 70. Lord Harris's longer-term plan is still to have a market share of 30 per cent by 2000. Beyond that Lord Harris may need to look abroad to keep up the breakneck expansion. But for now the outlook is promising. Carpetright is even saying that the knock-on effect from the upturn in the housing market is not expected to feed through to carpets until the spring.

On NatWest's profit forecast of £35m for the full year, the shares trade on a forward rating of 20. Not cheap but still worth holding.

Insurance firms in £97m merger

Magnus Grimond

Lowndes Lambert and Fenchurch, two of London's smaller insurance brokers, yesterday announced their long-awaited £97m merger in what analysts said was a move to combat increasing competition in the market.

The deal involves shareholders in Fenchurch swapping 1,000 of their own shares for 628 in Lowndes Lambert, which is to be renamed Lambert Fenchurch. The new semi shares in Lowndes 7.5p higher than 116p, while Fenchurch added 9p to 70.5p.

The link-up, foreshadowed in a statement last week that the two groups were in merger talks, is part of a growing consolidation trend in the sector in the wake of last year's marriage of the two US giants Aon and Alexander. Aon has also recently picked up Bain Hogg from Inshape and last month Lloyd Thompson and JIB, two second-line brokers, unveiled their own £300m merger.

Lambert Fenchurch expects to be able to generate £5m of cost savings from the merger in

Clyde ups stakes in oil bid battle

Tom Stevenson

Clyde Petroleum upped the stakes in its increasingly heated £432m bid battle with Gulf Canada yesterday by effectively flagging what it considered to be a fair value price for itself. On the basis of a study by an independent industry consultant, Clyde said a fair trading range for its shares, before any premium for control, would be between 146p and 177p a share.

Assuming investors would expect Gulf to pay extra to gain control of Clyde, the company's calculations suggested it would

not be prepared to recommend a take-out price of less than 190p or 200p, well ahead of the 105p that Gulf has so far tabled, and implying a value of at least £782m. Clyde's shares added 2.5p to 121.5p as the market continued to bank on a higher offer from Gulf or a rival bid from a third party.

As expected, Clyde's defence focused on valuation methodology, with Clyde insisting that a multiple of cash flow was the method usually used in North America, best measured its potential value. For the first time it indicated what would be an appropriate

cash-flow multiple and published a much higher than expected estimate of operating cash flow for the year to the end of last month.

Gulf dismissed Clyde's second defence document as "not credible" and said it "contained no positive surprises, contained desperate claims on value, ignored the medium and longer term production profile of the company and ignored the company's net asset value".

Clyde said a range of 5.3 to 6.4 times cash flow best valued the company, citing figures calculated by oil industry consultants JS Herold, which had put the

company in the third quartile of comparable companies on the basis of a number of measures, including return on capital.

Operating cash flow in the year to December 1996, Clyde said, was £127m, representing a 29 per cent increase on the 1995 figure which appeared in the company's first defence document. Discretionary cash flow, after tax and interest, increased by 37 per cent to £11.3m.

Clyde's latest defensive salvo also included an estimate of net debt at the end of 1996, showing much lower than expected borrowings of £108.4m.

Crest upgrade to handle floats

The new Crest share settlement system is having to be upgraded to cope with the floatation of building societies later this year, writes Jim Treanor. The upgrade comes before the current system is fully rolled out.

To deal with the additional workload from the floatations and to cope with the ongoing programme of putting FTSE 100 companies on to the system, the number of tandem processors used to run Crest will be increased by six to 16.

Some Footsie stocks that

have been delayed from joining the system will start to be included from next week. They include BSkyB and Tomkins from Monday. CrestCo, the company that runs Crest, is also considering upgrading to a more powerful version of the technology, which may have to be funded by higher tariffs from users of the system.

A working party had been set up, said Mr Symons, who added that the transition of shares to Crest from Tandem, the current system, is expected to be completed on schedule on 7 April.

Toy shops suffer in tough Christmas

Nigel Cope

There was fresh evidence yesterday that the British toy market has experienced a tough Christmas when two retailers blamed tough competition and weaker demand for disappointing performances.

John Menzies' half-year pre-tax profits fell by a third as a result of poor sales at its Early Learning Centre stores which cater for children aged up to five. Hamleys also said Christmas trading was disappointing. It said trade started well at the beginning of December, then tailed off in the middle of the month before a late recovery. "Overall we were a little disappointed with Christmas," Hamleys' director Michael Riddy said.

John Menzies' new managing director, David Mackay, said the problems were due to increased competition, internal mistakes and demographic changes which were resulting in fewer young children.

The poor figures from John Menzies forced the shares 67.5p lower to 47.75p. Pre-tax profits fell by £1.2m to £2.6m in the six months to 2 November due to difficulties in the retail division. Like-for-like sales were 1 per cent lower in the core chain with music and video sales disappointing. But in the eight weeks to 28 December sales were lower than expected with a 7 per cent slump at Early Learning Centre.

"Our automotive business is very much commercial vehicle related, with Perkins being the main customer. To talk about Ford is entirely irrelevant."

The company had no intention of making any trading statement, she said.

Triplex challenged on orders

Patrick Tooher

William Cook, the steel castings group that is vigorously defending a £55m bid from Triplex Lloyd, has challenged the Birmingham-based engineer to issue a profit forecast following negative reports about the state of the UK and European automotive components markets.

In a highly unusual move designed to turn the tables on the bidder, William Cook highlighted yesterday's announcement from Ford, a customer of Triplex Lloyd, about big job cuts at its Halewood factory on Merseyside.

"Triplex Lloyd... should come clean about its own prospects," said Andrew Cook, executive chairman. He said "unsubstantiated talk about new orders" should not divert shareholders from asking how many of Triplex Lloyd's big automotive customers were experiencing a downturn. Margins in its automotive division had been in decline, he said.

His comments drew an angry response from Triplex Lloyd, which said passenger cars represented only a sixth of its business. "Clearly William Cook does not understand Triplex Lloyd's business," a spokesman said.

"Our automotive business is very much commercial vehicle related, with Perkins being the main customer. To talk about Ford is entirely irrelevant."

The company had no intention of making any trading statement, she said.

IN

sport

Fighting for fair play in the big freeze

As usual it seemed the only people who cared about the supporters were other supporters. We were standing in the car park at Highfield Road, it was 45 minutes before Coventry and Woking had been scheduled to start their FA Cup third round tie, and a Coventry fan was passing comment.

"It's disgusting, appalling. Those poor people, they've come all this way." She was talking about the several thousand Woking fans who had driven through freezing fog for three hours only to find Wednesday night's match called off, less than an hour before kick-off. Some supporters were already inside the ground. They were not happy, and who can blame them?

Nor were they the only ones. On their way back, the 27 coaches and countless cars loaded with Woking fans might have passed a similar convoy of Wrexham supporters making their weary way back from West Ham. That match had been called off because of fog at 5.30pm, too late for supporters engaged on a gruelling 500-mile round-trip.

Bad management? Or bad luck due to freak weather conditions? The clubs and referees involved will suggest the latter, but they should know better. They were warned because the events of the previous night were, if anything, worse.

At 5.30pm on Tuesday Brentford v Manchester City, Luton v Bolton, Watford v Oxford and Gillingham v Derby were on. Brentford was called off then. Luton an hour later and Watford a few minutes before kick-off time. At Gillingham they kicked off only for the referee, Paul Alcock, to decide the pitch was no longer playable after 66 minutes. Neither players, managers, spectators nor media agreed. A few players had slipped over in one corner but the pitch seemed tricky rather than dangerous.

In each case away supporters had made long and difficult journeys. "After what happened last night, you would have thought someone would have shown more sense," said Mike Bidmead, Woking's Ground and Safety officer on Wednesday. "Many of our fans have paid £15 each for their coach trip."

Hoddle happy with Italy friendly date

Glenn Hoddle, the England coach, yesterday maintained he had no problems about facing Italy in a friendly in France this summer in the middle of his side's two crucial World Cup qualifying matches against the Azurri.

Hoddle was at the luxurious Hotel De Ville in the centre of Paris for the official launch of the four-nation Tournoi de France, which carries a prize of around £625,000 for the winners.

He said he believed the June tournament involving France, England, Italy and Brazil would benefit England ahead of the 1998 World Cup.

"It will be a good experience for the players and for me to find out a bit more about ourselves in a tournament," Hoddle said. "I've only been in the job for six months and while qualifying for the World Cup is the important thing, I'm looking up next summer as a dress rehearsal for 1998."

The fact that England will be playing Italy in the friendly in the middle of the two World Cup qualifiers next month and in October has aroused concern.

Glenn Moore says fans should be compensated for fruitless journeys

Woking were particularly unhappy at Gerald Ashby's belated decision to call the match off. As Clive Walker noted: "Our players are part-time, they've all taken time off work to be here. It's a lot of money for them which they won't get back."

"We play on much worse pitches than that and were happy to play tonight. So were Coventry's players. It's the ref's decision, and we say players might be injured, but I can't see it."

Another Woking player said: "It's a joke. It's perfectly all right. It was embarrassing when he called it off."

Bidmead, a former Football League referee, thought the pitch playable. He added: "We are not going to win the FA Cup, we are in it to make some money. The police bill is £15,000, we'll have to pay that twice now. Then there is the

REFUNDS: HOW THE POLICIES VARY

Football & concours

FA policy: if a match is called off before kick-off, spectators will be offered free admission to rearranged match. If called off after kick-off, then 50 per cent reduction for next game.

If spectator cannot get to rearranged game, then up to her/him to ask club for refund. FA official policy is that decision is up to the individual club.

Football League: Recommends that member clubs offer full refund if postponed or abandoned. Abandonment after kick-off: 50 per cent reduction for rearranged match.

FA Curling Premiership: No official policy but general guidelines are that once spectators are in the ground, regardless of whether match has kicked off or not, clubs make some form of generous compensation between 50 and 100 per cent.

Rugby Union

RFU official policy: No money will be refunded for matches at Twickenham or major RFU matches elsewhere. But if match can be staged at a later date, then the ticket is valid for admission to the rearranged game.

Cricket

English Cricket Board: For international matches (test and one-day) they have the Rain Check Scheme: Up to 10 overs before play abandoned for day, a full refund; up to 24 overs, 50 per cent refund; 25 overs or more, no refund. No official policy as regards counties (up to now). Lord's unless and until play is guaranteed, so no one has parted with any cash in the first place. If play abandoned at any time thereafter, no refund.

playable. There was a large area in the middle that was dangerous."

Geoff Chapple, the Woking manager, said that Graham Poll had permitted Coventry's recent match with Sunderland on a surface which was "10 times worse". Three days later Poll is said to have told Graeme Souness that his players would have to play "at 90 per cent" during Southampton's FA Cup tie at Reading. "Pitch inspections," admitted Ashby, "can be an area of inconsistency among referees."

Personally I was astonished, as I drove up through freezing fog, that there seemed no doubt about the match. Regular pitch inspections were announced at Leicester, Coventry expressed no concern. This was despite the state of their pitch for several recent matches, which must have been borderline decisions to play.

Coventry are one of a handful of Premiership clubs without undersoil heating. Unlike the others, they have not been recently promoted nor are they planning to move grounds. Undersoil heating costs between £200,000 and £300,000. In the last two years Coventry have spent £16,000 on players.

"We used to have it," said Graham Hover, Coventry's secretary, "but it caused a drainage problem and it was removed six years ago. At the moment we use frost covers and we feel the pitch is playable. I suppose we will have to look at installing undersoil heating again."

In an age of £15m transfers and £4,000 a week wages, it is ridiculous that some leading clubs are reduced to using mats, straw and suchlike to stage games. Undersoil heating ought to be compulsory in the Premiership, with promoted clubs given assistance from Sky Sports money to pay for it.

Another slice of that vast

bucket of cash ought to be siphoned off to provide compensation for supporters who have lost time and money travelling to matches which are postponed at short notice. Fans are paying out more and more money in admission and travelling costs, and their goodwill cannot be milked forever. It is about time the game gave something back.

No laughing matter: A Woking fan sent to Coventry for nothing

Photograph: Empics

that

Vialli vexed by life on the Chelsea bench

Hednesford assess their trophy options

Gianluca Vialli has joined his fellow Italian Fabrizio Ravanelli in expressing frustration at life in the Premiership.

The former Juventus captain has struggled to win back his place in Chelsea's starting line-up after injury and illness, and declared on Italian television: "It is not a particularly happy period for me. Ruud Gullit has used me very little and I am not satisfied about this."

Vialli added: "I think if the manager keeps the captain of the side that won the European Cup six months ago on the bench, it would mean his team are top of the league. But this is not the case at Chelsea. So it must mean either the manager is not doing an exceptional job or there is something wrong. I wait with patience. I continue to train and I just grit my teeth. I did not come here on holiday or to enjoy myself. I came here to play and become a legend in London with Chelsea. Staying on the bench is frustrating for me and I hope things change in the future."

"Certainly I am not happy

and not prepared to bear this situation for much longer."

Vialli was first sidelined with a hamstring injury and then flu. In his absence the striking partnership of Mark Hughes and Gianfranco Zola has blossomed. Chelsea play Derby tomorrow, hoping to improve on seventh place in the table.

The Chelsea coach, Gwyn Williams, said: "When Gianfranco is on form, he will return to the side." Earlier this week Vialli's former Juventus team-mate, Ravanelli, was reported to have expressed fear that his new club, Middlesbrough, would struggle to survive in the Premiership, though he later played down his comments.

Gianluca Agnelli, the owner of Juventus, has ruled out a move for the Newcastle striker Alan Shearer. The England captain has been linked with the Italian club because they feel they need to strengthen their attack, despite Wednesday night's 6-1 drubbing of Paris St-Germain in the first leg of the European Super Cup. Agnelli said: "He's out of reach because of his cost. We need some reinforcements, but

not that expensive." Shearer became the world's costliest player last year when Newcastle bought him from Blackburn for £15m.

Matt Elliott's journey from a building site to the Premiership was completed yesterday when he joined Leicester City in a club record £1.6m deal. Leicester's previous record was £1.25m for Mark Draper. The 28-year-old Oxford United centre-half rejected moves to Southampton and Sheffield Wednesday to sign a three-and-a-half-year deal.

"It's not so long ago that I was leaving school with no career ahead of me and doing bits and pieces on a building site," said Elliott, who will make his debut at home to Wimbledon tomorrow. "Now I'm like a schoolboy, I feel so excited."

Notts County have named Sam Allardyce, formerly in charge of Blackpool, as their new manager. The post has been vacant since before Christmas, when the Meadow Lane club sacked their general manager, Colin Murphy, and the team manager, Steve Thompson.

Hednesford are ninth, although they have games in hand on all the teams above them.

John Baldwin, the Hednesford manager, has some welcome selection problems for tomorrow's tie. He can call on his latest signing, the former Derby and Leicester striker Phil Gee, who is ineligible for the FA Cup, and the winger Tony Hemmings, who has completed a two-match suspension.

Although Hemmings is a former Northwich player, the Vics have probably seen enough of him. He was the "man of the match" when playing for Macclesfield against Northwich in last season's Trophy final, and scored a superb individual goal to complete Macclesfield's 3-1 win at Wembley.

Despite their FA Cup successes, which has seen them become the first side since Kettering in 1989 to progress from the first qualifying round to the fourth round, the Pilgrims have a realistic chance of reaching Wembley.

In contrast to next weekend, when Hednesford will be heading for the Premiership's newest stadium, the Riverside, tomorrow they will be doing battle at the oldest continually used football ground in the world: the Drill Field, the home of Northwich Victoria since 1875.

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Carwyn Williams, the striker

who scored Northwich's goal in last year's final, will be helping Maclesfield launch their defence of the Trophy tomorrow.

Sammy McIlroy's summer signing from the Vics has recovered from an ankle injury and is likely to be in the starting line-up for the holders' daunting tie away to the Conference leaders, Kidderminster Harriers.

Cross-code criticism

From David Rice
Sir: It was with great amusement that I read Chris Belson's letter "Unfair on League players" (2 January). Of the seven players mentioned five were high-profile signings from Union and Jason Robinson has come in for much criticism.

His inclusion ahead of Jon Callard in the European Cup quarter-final has been cited as a major factor in Bath being knocked out. As for the tackling, Gary Connolly's display for Harlequins against Leicester was laughable by junior club standards let alone National First Division.

D RICE
Ashby-de-la-Zouch

Evaluation of success

From Dr W R Silveira
Sir: I would like to make two points about the recent hoo-haa

over Kevin Keegan's resignation. The first is that the national psyche continues to function on the basis of a refusal to submit even in the face of extreme odds. Acknowledgement of stress is seen as capitulation, weakness of character, humiliation of the

worst kind. This macho view of life actually deters from a meaningful understanding of the reasons why Keegan may have resigned.

While Howard Wilkinson throws some much needed light on the life and times of the modern day manager, he is unable to comment on the personal attributes that shape the individual's perception of success, its finity and its meaning because these things are personal and relate to the background and upbringing of that particular individual.

Perhaps Kevin Keegan, for reasons that even he may be unaware of (because these things sometimes operate at a subconscious level), has decided he has satisfied the drive that motivated him to take up this avocation in the first place.

My second point is that there appears to be something magical about a five-year cycle in which individuals, groups and even governments can set out on projects of merit with predefined aims and goals. I would suggest that Kevin Keegan has completed his five-year stint and who is to say that he should

or should not have left at the point that he did.

DR W R SILVEIRA
Coventry

Sunk before start

From Peter Cusworth
Sir: Regarding the idea of Robert Crowther, Witney, Oxon (2 January), of Newcastle ground sharing with Sunderland, may I suggest boat sharing for P CUSWORTH.

Desmond, Newcastle upon Tyne

Cheek by golly

From Rob Charles
Sir: Sandy Anderson may have failed in his bid to take over Nottingham Forest, but he wins my vote for Barefaced Cheek of the Week with his comment afterwards.

"There are clearly some people who are looking to make money for themselves."

R CHARLES
Grayshott, Surrey

Letters marked "For publication" should contain telephone numbers. They should be sent to Sports Editor, The Independent, 1 Canada Square, London E14 5DL. They may be shortened for reasons of space.

Yet a spokesman at the ATP's headquarters in Florida rejected the possibility of the French umpire being barred from any matches on the ATP tour, which only leaves the four Grand Slam events, run by the ITF, who were unavailable for comment.

Tarango meets the former champion Jim Courier in the Australian Open third round after beating Switzerland's Marc Rosset 6-4, 6-1, 6-1 yesterday.

Henman's style may disturb Chang

Tennis

DERRICK WHYTE
reports from Melbourne

Tim Henman has come a very long way in a very short time. But if he beats world No 2 Michael Chang under floodlights today, Britain will know it really has a player capable of taking the sport by storm.

Henman, now ranked 14th, is firmly the underdog in the third-round match at the Australian Open. Chang beat Pete Sampras and Boris Becker only last week and was runner-up here last year.

Though only two years older at 24, Chang has a massive advantage in experience. He won the French Open when he was 17, reached the final of the US Open last September and the final here last year.

What Henman has going for him is supreme confidence at the moment and the knowledge that he hits the ball harder than Chang, especially on the serve, and has the sort of all-court game which most troubles his opponent.

The match will be given special coverage by the BBC in an extra programme tonight. The third-round encounter will be shown on BBC2's regular Sport on Friday programme (1410-1555), but will be replayed later on an International Tennis special (1800-1900) on the same channel. Eurosport will feature the game live at 9.15am.

World No 1 Pete Sampras has given him a chance, explaining:

"It is going to be a good test for Henman. Chang is not an easy guy to play and Henman is going to have to work hard, but the way he has been playing he has got a shot." Henman, however, has been beaten here already, going out of the men's doubles at the first hurdle partnering the Dutchman Jan Siemerink.

Sampras reached the third round of the singles after a scare. The world No 1 was a set and a break down to the Romanian Adrian Voinea, but got his act together to win 3-6, 6-2, 6-3, 6-2 in 109 minutes. He next plays Australia's Mark Woodforde, who has twice held match points against him in the past.

Jim Courier threw himself into the River Yarra after both his previous title successes here, but if this year's championship continues as it has started for him the 26-year-old is unlikely to have the energy to do so again.

His two matches so far have both been five-set affairs and Courier has had to come back from 2-1 down both times. He beat the Czech Republic's Slava Dosedel 4-6, 6-2, 3-6, 6-4, 6-4 and said: "As long as I win I don't care how long it takes." He now plays fellow American Jeff Tarango.

The women's second seed, Arantxa Sanchez Vicario, spent only three minutes on court. She won the first game against Stephanie De Vilie then the Belgian pulled out with an ankle injury. Martina Hingis, the 16-year-old fourth seed and second favourite to Steffi Graf, beat American Lisa Raymond 6-4, 6-2 and described her play in the second set as "almost perfect".

Fifth seed Anke Huber, last year's runner-up, hit back from a set down to beat Italian Francesca Lub



Fans frozen out
Glenn Moore presses for fair play
in foul weather, page 26

sport

FRIDAY 17 JANUARY 1997 • THE INDEPENDENT

Hastings still hungry
Chris Hewett meets Scotland's
most capped player, page 27

Ferguson will step down in three years' time

Football

GUY HODGSON

Some managers succumb under the pressure and go to Florida, others lie awake at night worrying when the chairman's vote of confidence will come. Alex Ferguson has the luxury of announcing his retirement date.

The Manchester United

manager yesterday revealed he will give up the position when his contract runs out in three years' time. His one ambition in the meantime is to emulate his most illustrious predecessor, Sir Matt Busby, and win the European Cup. "I can see the finishing line," Ferguson, who was appointed in November 1986, said. "When this contract runs out I'll be 58 and I can't see me

continuing as manager beyond that." He also quelled any suggestion that winning the European Cup beforehand will bring forward that retirement date.

"What we achieve this season will have no bearing on the issue," he said. "My position at this club won't be changing before the end of my current contract. I committed myself to United for a further three years

when I signed this contract and I will definitely see it through."

The announcement will inevitably cause a three-year stampede of speculation as to who will succeed Ferguson, whose record at United includes two Doubles, three championships, three FA Cup wins and the European Cup Winners' Cup. He has also created a youth set-up that is the

envy of the Premiership and has already produced three England internationals in Gary and Phil Neville and David Beckham.

Ferguson's nominated heir is his assistant, Brian Kidd, although he is said to be reluctant to step into the media spotlight that goes with the job. Bryan Robson, a former captain, would have been the supporters' choice 12 months ago, but,

with Middlesbrough bottom of the Premiership, that situation has changed.

A gap of three years allows senior players now to cut their teeth in management to be ready for the year 2000. Another erstwhile captain, Steve Bruce, comes into this category while a maverick candidate might by Eric Cantona, who is 31 in May and who has suggested he

will want to stay in football when he stops playing.

Ferguson, meanwhile, is unlikely to allow the imminence of his retirement to diminish a hunger to succeed that shows no sign of being sated by honours.

"I have completed 10 years at Old Trafford," he said, "and I am as ambitious now as the day I arrived. You never become indifferent to success, or at least

I don't. Every single day is important and that is how I view this job until the time comes to step down."

"I have had it in my mind for some time that I would stand aside when I reached 58. But you never know for certain what circumstances will prevail three years down the line. Whatever happens in the future, I intend to stay active."

Transfer rejig to hike clubs' wage bills

ALAN NIXON

The English game's transfer system is set to be overhauled this summer, with all out-of-contract players over the age of 24 allowed to change clubs without a transfer fee.

The change would be certain to have far-reaching effects. Clubs will be more anxious than ever to put their better players on long contracts, which in turn could lead to inflation in players' wages, while transfer fees paid to smaller clubs could shrink substantially.

News of the imminent change has already started to affect the transfer market. Most big clubs have put their best men on long-term contracts, but

many of those with players whose deals run out this summer are considering selling them now, rather than see them leave without compensation at the end of the season.

The players, meanwhile, are likely to be tempted to wait until the summer. Chelsea's Mark Stein, for example, currently on loan at Stoke and valued at £1m, has only to wait until the end of June and can then move for free.

The proposed change is outlined in a working paper produced by Graham Kelly, the Football Association's chief executive, and distributed in the last few days to representative bodies within the game.

The move is a direct consequence of last year's Bosman ruling by the European Court,

which gave out-of-contract players the right to move to another country without a transfer fee.

In the wake of the ruling, Uefa, the European game's governing body, was put under pressure in legal quarters to scrap the system of transfer fees in its entirety.

However, it has been felt within the game that a transfer system had to be kept in order to give smaller clubs the incentive to develop young players.

Under present rules in Britain, a player at the end of his contract has two choices if he wants to move. If he goes abroad, he is free to negotiate his move and his former club is not entitled to a fee. If he stays in Britain he can negotiate a move, but the recruiting club either has to agree a fee with the selling club or the fee is decided by a transfer tribunal.

With the new proposals, an out-of-contract player of any age could still move abroad without a fee. Players under 24 – whether in or out of contract – would be subject to transfer fees, as would players under contract over the age of 24. Those out of contract and over 24 would be able to move without a fee.

Uefa would like to have such a system – which is based on a scheme that has operated successfully in France for several years – in place across the whole of Europe.

The Professional Footballers' Association and most clubs in England support the move, although there may be some objections from those clubs with several players out of contract this summer.

The PFA fears that another test case could destroy the transfer system in its entirety. In Scotland, for example, an Airdrie player, Chris Honour, is challenging the validity of his contract through the courts.

The Scottish PFA prefers a cut-off point at the age of 21 rather than 24 and will seek its members' opinions over the next fortnight.

Many of Scotland's leading players – for example, Davie Robertson, the Rangers left-back – are out of contract this summer and could become prime targets for English clubs.

'I've given up drinking'



Brian Clough, at 62, says he has finally responded to pleas from family and friends to stop drinking. "That's perfectly true, and I've cut it out totally," he said. But in a two-part interview for Sky TV, last night and tonight, Clough denied he ever had a drink problem. "It's celebratory," he said. "You drink because somebody says: 'There's a glass of champagne, it'll go

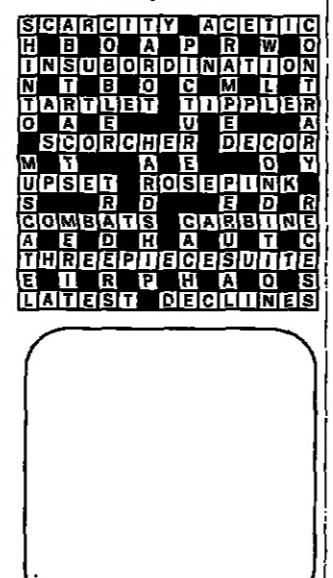
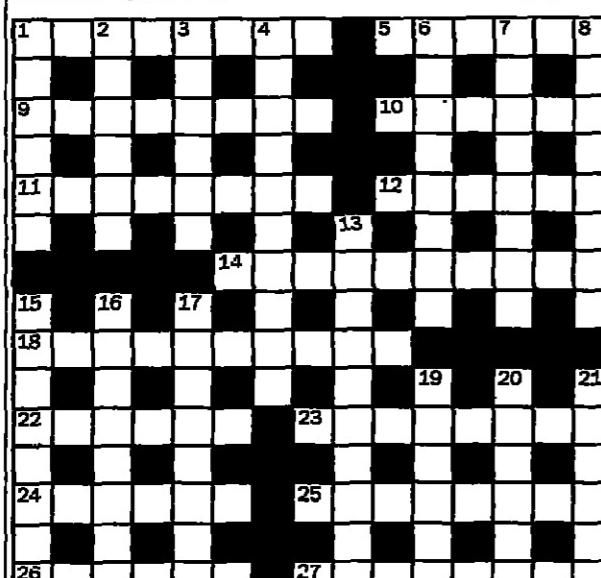
lovely with that European Cup.'" Clough, who resigned as manager of Nottingham Forest in 1993 after winning eight trophies, also denied he was seriously ill during a recent spell in hospital. "I had a knee operation that set me back a wee bit, but if people want to write about me at death's door, good luck to them. I hope everybody feels as good as good as I feel!" Photograph: Sky News

THE INDEPENDENT CROSSWORD

No 3198, Friday 17 January

By Spurrier

Thursday's solution



- ACROSS**
- One day items to be translated will include Old and Middle English (8)
 - Gap where river enters sandy area (6)
 - Traditionally crafted by one providing personal service, we're told (8)
 - Gland surrounded by healthy muscle (6)
 - Iris makes wonderful crumpets (8)
 - Shampoo container's something of a pain, in a way (6)
 - Casual garment decorated with beads? (10)
 - Words for television plugs? (5-5)
 - Articles penned by bishop, indeed (6)
- DOWN**
- Doctrine introduced by school leads to split (6)
 - Feeding-trough from Bavaria, maybe, with interchangeable parts (6)
 - New York broad often in the soup? (6)
 - Psychic given acknowledgement in radio broadcasts (6, 4)
 - Try again last two parts of exercise – you'll need to practise (8)
 - Give weapons to presiding officer, taking no active part (8)
 - Don't decide on a course that's apt to get you lost (8)
 - Cypriot man misrepresents himself as Macaulay, for instance? (10)
 - Bowling when everyone's in protective gear (8)
 - State coach (8)
 - Clergyman always having to tear around (8)
 - Planet finally completes a revolution (6)
 - Tuscan family seen by the sea here in France (6)
 - Long weary shift for barman? (6)

Scots lose McKenzie

Rugby Union

CHRIS HEWETT

reports from Edinburgh

All Scottish eyes were on Gregor Townsend yesterday as the prodigiously gifted midfield playmaker strode manfully to shake off the effects of a strained neck muscle in time for tomorrow's Five Nations match with Wales at Murrayfield. As it turned out, the panic was centred on the wrong man; while Townsend showed signs of improvement under treatment, Kevin McKenzie, the effervescent hooker from Stirling County, was fighting a losing battle against neck problems of his own.

McKenzie, an ever-present in the Scottish side since the start of last year's tournament, was in severe pain with a damaged disc and withdrew on doctor's advice. Graham Ellis, of Currie, wins a first cap as his replacement.

The Scots could ill afford a weakening of Townsend's chances of turning out. Duncan Hodge, the uncapped goal kicker from Watsonians, was still with the squad last night after his precautionary

ary promotion from the A team, but the feeling at Murrayfield was that the back division was still an international novice. No one could describe McKenzie as an imposing physical specimen – at 5ft 6in and less than 15 stones, he is the smallest test hooker in world rugby – but equally, no one could deny that he punches his weight at the top level.

News of McKenzie's injury reached the Welsh camp as they flew into Edinburgh last night. Jon Humphreys, the Welsh captain, was diplomatic when questioned about the absence of his direct opponent – "I understand Ellis is a very good player," he said – but he added: "I came up against McKenzie last year and found him an extremely tough competitor. In international rugby, the individual contests tend to be pretty even but I remember the 1996 game against the Scots in Cardiff as being very hard in the front row."

At least the Scots were optimistic of Townsend's chances of turning out. Duncan Hodge, the uncapped goal kicker from Watsonians, was still with the squad last night after his precautionary

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Photograph: Ross Setford/PA

Tufnell completes easy win

Cricket

MARK BALDWIN

reports from Palmerston North
NZ Select XI 138 & 1/6
England win by an innings & 113 runs

England's winter woes are slowly being put behind them in New Zealand, with Phil Tufnell taking 5 for 58 to spearhead a convincing innings and 113-run victory against the New Zealand Select XI here yesterday.

England leave Palmerston North for Hamilton, for a final Test warm-up four-day match against Northern Districts, with

Steve Rixon, the national squad's skipper, in charge.

England spirits were also lifted by the sight of their wicket-keeper Jack Russell, fielding in place of flu victim Craig White, making a run out from cover.

The Select XI were finally dismissed for 176 an hour after lunch, with the end being delayed only by some lusty late hitting from Danny Morrison.

Silverwood's 3 for 29, from three impressive spells, looks to have put him ahead of the disappointing Andy Caddick in the Test stakes, while Tufnell's continued success on what is seen to be a rehabilitation tour could leave England's selectors with a tricky choice between him and Robert Croft in Auckland.

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North for Hamilton, for a final

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against Northern Districts, with

Steve Rixon, the national squad's skipper, in charge.

England spirits were also

lifted by the sight of their wicket-

keeper Jack Russell, fielding

in place of flu victim Craig

White, making a run out from

cover.

This result has not helped me

very much," Rixon said. "Despite

what happened in Zimbabwe,

this England side is full of dan-

gerous players and they are far

better prepared than us at the

moment for Test cricket."

Rixon has organised a one-

innings, two-day match against

Auckland next Monday and

Tuesday in a late attempt to get

his national squad into some

sort of shape for the first Test.

Most of New Zealand's leading

players have played no first-class

matches since returning from

their tour of Pakistan in early

December.

The Select XI resumed yes-

terday in 21 for 1, still 264 runs

in arrears. Silverwood struck the

initial blow in the sixth over by

having Adam Parfitt caught at

the wicket. Matthew Horne fell

to Nick Knight at silly point, the

ball flying off a leading edge as

Horne tried to flick Tufnell to

leg. At 75 for 3 came Russell's

sprint, pick-up and direct hit to

run out Mark Greatbatch for 10.

Silverwood returned to have

Justin Vaughan smartly held low

to his left at second slip by

Knight and then Tufnell teased

the lower order.

The England coach, David Lloyd, will not have endeared himself to Zimbabweans yesterday when he spoke about his team preferring "the food, climate and people of New Zealand".

Lloyd put his foot in it following England's emphatic innings victory over a New Zealand Select side, which went some way to help his team forget the first stage of their winter tour, which included a 3-0 one-day international series defeat in Zimbabwe.

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